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CLOSED

FILE No. 250/10/5/14
PART 1

COMMONWEALTH OF AUSTRALIA. OPENED 22-12-50
WESTERN SECTION CLOSED 24-12-57

AMERICAN Sub-SECTION
DEPARTMENT OF EXTERNAL AFFAIRS.

SECRET.

UNITED STATES OF AMERICA

SUBJCT.

BASMENT

Relations with Egypt

CLOSED 82

PREVIOUS FILE :

NEXT FILE :

PART 2

RELATED PAPERS.

FILE No.

SUBJECT.

BASMENT

5559/07.

By Authority: A. J. ARTHUR, C.W. much of their alarm was due to ignorance.

CONFIDENTIAL

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NAA: A1838, 250/10/5/14 PART 1

CLOSED

24 - 12 - 1957

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250/105-14
CONFIDENTIAL

SAVINGRAM.

I, 19491.

250/105-14

:ABK.

Dated : 17th December, 1957.

FROM:

Rec'd: 24th December, 1957.

External Affairs Office,
LONDON.

SAVINGRAM EX 552. CONFIDENTIAL.

Repeated Washington EX 500, New York EX188.

Dr. Fawzi's Discussions with Mr. Dulles.

The following account of 13th December from the United Kingdom Embassy at Washington may be of interest to you:-

"When Dr. Fawzi saw Mr. Dulles on December 10th, he was in his usual bland form, but he had no specific proposals to make. The State Department think the meeting was his own idea, and was acquiesced in by Nasser rather than inspired by him.

He said there was nothing in Egypt's present policies which excluded co-operation with Western countries, and especially with the United States. There was no reason why Russian aid should be exclusive; the Middle East could absorb billions of dollars in economic aid. He had not come to ask for anything especially for Egypt - if the United States wished to continue minor irritants such as blocking supply of army spares, that was their affair. But in Syria, for example, there were natural resources of land and water which could be developed over and above anything that Russia was doing so that Syria could support a much larger population. (He hastily added that he was not suggesting the resettlement of Arab refugees).

Mr. Dulles repeated his standard thesis about United States/Egyptian relations. The Egyptian Government thought they could deal with the Soviet Government without risking their independence, and chose to regard the United States as following imperialist policies hostile to them. The United States Government disagreed, and regarded Soviet penetration of the Middle East as a threat to the security and independence of countries in the area. He added that, in his judgment, the present Syrian Government had gone even further on the dangerous path than Egypt. So long as this fundamental difference of judgment between the United States and Egyptian Governments existed, no relationship of the kind which Fawzi seemed to be suggesting could be possible between them, though there might, of course, be adjustments in their present relations. Mr. Dulles here mentioned the minor concessions that had been made to the Egyptians e.g. the recent release of \$600,000. He said that the release of the remaining blocked funds depended on the Egyptian Government's action in regard to compensating the Suez Canal Company.

Fawzi said that the Egyptian Government had no intention of losing, in their dealings with the Russians, the independence which they had only recently acquired. He said the Syrian Government also were not blind to the danger of becoming too dependent on the Russians and that within the next few months, Mr. Dulles would hear "good news from Syria". He did not elucidate this remark.

Mr. Dulles said that, whilst Egypt might try to dismiss the Russian threat, it was taken seriously by other States in the area, notably Syria's neighbours. The United States Government could not ignore their views. Fawzi said that three of these countries had no relations with Russia and much of their alarm was due to ignorance.

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SAVINGRAM.

2. I.19491.

When Mr. Dulles pointed out that Egyptian actions over Jordan hardly fitted into his description of Egyptian policy, Fawzi said airily that it must be possible for the Egyptian and the United States Governments to collaborate "in spite of the noisy Cairo Radio and press".

When they were discussing economic aid, Mr. Dulles asked Dr. Fawzi what he thought of the Pella plan. Fawzi said the idea was good but that the N.A.T.O. framework was wrong. There should be such a programme under the umbrella of the United Nations".

MIN. & DEPT. E.A.

MIN. & DEPT. DEFENCE.

MIN. & DEPT. TRADE (C-M)

TREASURER & TREASURY.

A/MIN. & DEPT. PRIMARY INDUSTRY (C)

25th December, 1957.

SEC A/Ss LA ER CR PAC&AM AM&SP S/SEA SA E./AF&ME B AF&ME
INF DL MT G&P UN
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TEL AVIV WELLINGTON OTTAWA..

CONFIDENTIAL

DEPARTMENT OF EXTERNAL AFFAIRS. **RESTRICTED**
INWARD SAVINGRAM.

TWPP.MMC

I.18822

250/10/5/14

Dated: 10th December 1957

Rec'd: 12th December 1957

(Transmitted via leased channel.)

FROM:

Australian Embassy,
WASHINGTON.

SAVINGRAM 538. **RESTRICTED.**

Information copies to London (for External) and
Ottawa.

Suez Canal.

Following from Shaw (Near East Economic Affairs)
on 9th December:-

Yunis' Visit.

2. Yunis (Head of Egyptian Suez Canal authority) is currently in the United States. He told Rountree (Assistant Secretary Middle East Affairs) that his visit had two purposes:-

- (a) To meet his "customers" (i.e. shipowners); and
- (b) To survey the needs of ship-owners in relation to the canal over next ten years.

Yunis had been in Washington for several days and had gone to New York today for discussions with shipping companies. On 12th December he would address National Press Club. Shaw commented that it looked as if Yunis' visit was largely public relations effort. It would not be possible, however, to assess visit until next week.

Suez Canal Compensation.

3. Black at this time was considering the composition of the team of four or five members, mainly drawn from the staff of the Bank, to facilitate negotiations on settlement of the Suez Canal compensation issue. Black's ideas were still vague but he envisaged that the team if it was acceptable to both parties might visit Cairo and Paris to assess differences in positions of both sides. Shaw did not think there would be much action from the Bank regarding the team until after Suez Canal Company Shareholders Meeting in January.

MIN. & DEPT. E.A.
MIN. & DEPT. TRADE (C-N)
TREASURER & TREASURY.
MIN. & DEPT. N.D.
MIN. & DEPT. SHIPPING & TRANSPORT.

13th December, 1957.

SEC A/Ss LA UN ER CR PAC&AM AM&SP S&SEA SA
SEA E.AF&ME E RESTRICTED ARAME INF DL MT
C&P G TEL AVIV WELLINGTON

25/10/5/14
SAVINGRAM CONFIDENTIAL

MP:SS

I. 18172/3

Dated: 3rd December, 1957

FROM:

Rec'd: 4th December, 1957

Australian Embassy,
W A S H I N G T O N

(Via leased channel)

S.V.520. CONFIDENTIAL

Copies to London for External and Ottawa.

Egypt

The following from Stabler (Egypt - Sudan Affairs) on 29th November:

United States - Egyptian Relations

Krisouny (Egyptian Finance Minister) had put out a report on 28th November that the United States had agreed to resume aid to Egypt on the pre-Suez scale; to export "badly needed" lubricants; and to meet requests for medicines, including Salk Vaccine. Stabler commented that the report was a fabrication. There was no change in the United States attitude on aid to Egypt. At the time of Suez the United States had suspended the aid programme although it had not terminated it. Aid in the "pipeline" for which a firm commitment had previously been made had continued to reach Egypt but no new projects had been considered. There was no change or present intention to change. Regarding lubricants there had been no ban on exports to Egypt beyond the general strategic controls which permitted export under license on the basis of assessment of needs. There had recently been an upward assessment of the Egyptian needs for lubricants but this was a routine matter based on revised estimates of needs. Egypt had never requested Salk Vaccine although Cairo had at one time put out a report that the Egyptian request had been refused. As matters stood, the Egyptian request if and when it was received would have to stand in a queue with other requests.

2. The Egyptian Press had made much of Fawzi's return to New York and the possibility of an improvement in United States - Egyptian relations. So far there had been no Egyptian request for an interview between Fawzi and Dulles. It was hard to see how talks at this time with Egypt could improve.

3. The State Department is not yet sure what was behind the current Egyptian attempts to "embarrass us with kindness" but he suspected that there was some nervousness in Egypt about United States reactions to their acceptance of the Russian aid offer. Stabler commented that compared with United States reactions at time of the Egyptian Communist Bloc arms deal, current reactions had in fact been mild.

Russian Aid Offer

4. Regarding motives for the Russian offer it was possible

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2.

I. 18172/3

that it was made to counteract Egyptian moves to decrease their dependence on the Communist bloc. Also having given aid to Syria, Russia might have felt they needed to make a comparable offer to Egypt.

5. On the Egyptian side there had been indications that they had been dickering with Russia for some time. The timing of acceptance was, however, of interest. It had occurred in the midst of ostensible Egyptian attempts to improve relations with the West. The Egyptians might have felt the Soviet offer was too big to turn down or it was possible that they thought it would improve their bargaining position with the West. (Despite an Egyptian announcement that a special mission would depart for Moscow immediately following Amer's return, the mission had not yet left Cairo).

6. The State Department still did not have any clear picture of what was involved in the aid offer. The Egyptians at one point announced that they would be able to use the Russian loan for imports from non-Communist countries. The State Department was inclined to doubt this. The terms of the loan were, on the face of it, attractive, namely, with a low interest rate of $2\frac{1}{2}$ per cent, repayable over 12 years following an initial period of 5 years in which no repayment was required. The Egyptians appeared to have in mind the use of some of the Russian loan for construction of industries (e.g. automobile manufacture) in which case a period of 5 years' grace would mean that repayment need not start until the plant was in operation.

7. An interesting indication of the Egyptian's present lack of foreign exchange and dependence on the Communist bloc was the refusal of the French offer to two hundred thousand tons of wheat flour at very low price. Egypt instead had signed a contract with the Russians for the supply of one hundred thousand tons of wheat flour. The State Department did not have details of this deal but felt that if the Egyptians had had funds the French offer would have been a more attractive commercial proposition.

MIN & DEPT EA
MIN & DEPT TRADE (C-M)
TREASURER & TREASURY
MIN & DEPT NATIONAL DEVELOPMENT

4th December, 1957

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INWARD CABLEGRAM.

SHA:MC

I.17789.

Dated: 27th November, 1957.
 1759.
 Rec'd: 28th November, 1957.
 1201.

FROM:

(Transmitted via leased channel.)

Australian Embassy,
WASHINGTON.

1451.

CONFIDENTIALRepeated New York, copies to London (for
External) and Ottawa.

Your 1216.

Fawzi's Return to the United States

According to Shaw (Near East Economic Affairs) on 27th November the State Department's understanding was that the main reason for Fawzi's return to New York was to participate in the debate on Algeria in the United Nations. He thought reports from Cairo stating that Fawzi was coming to New York to be available for discussions with Dulles, etc., were just a publicity manoeuvre on the part of the Egyptians. He thought there was a possibility that Fawzi might wish to have discussions with Black and Hammarskjold about Suez Canal compensation but did not think there was anything more to Cairo reports.

2. Shaw also said the Egyptians had put out an untrue report that the United States had released United States 20 million dollars of aid credits. When taxed about this the Egyptians had told the United States Embassy in Cairo that the report had been put out to give the United States favourable publicity to make up for the lack of acknowledgement of a number of recent "favourable" actions by the United States.

MIN & DEPT E.A.
P.M's

28th November, 1957.

SEC A/Ss LA UN PAC&AM AM&SP S&SEA SA EAF&ME E
AF&ME INF DL MT C&P

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250/10/5/14.

DEPARTMENT OF EXTERNAL AFFAIRS. **CONFIDENTIAL**

OUTWARD CABLEGRAM

HP:ABK.

0.14942.

TO : Sent: 27th November, 1957.
1223.
(Transmitted via leased channel)
Australian Mission to the United Nations,
NEW YORK.....923.

REPEATED:

Australian Embassy,
WASHINGTON....1216. *

Australian High Commission,
LONDON....SAV. 104.

CONFIDENTIAL.

Press reports to-day that:-

- (a) Hammarskjöld plans to leave for Jordan on Friday because of mounting tension between Israel and Jordan;
- (b) Fawzi is flying to New York to discuss improving Egypt's relations with the United States.

2. Appreciate background to these reports if true.

MIN. & DEPT. E.A.
P.M.'S.

27th November, 1957.

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DL MT C&P.

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INWARD SAVINGRAM.

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I.17585/6.

Dated: 21st November, 1957.

Rec'd: 25th November, 1957.

(Transmitted via leased channel.)

FROM:

Australian Embassy,
WASHINGTON.Savingram No. 499. **CONFIDENTIAL**

Information copies to London and Ottawa.

EgyptFollowing from Stabler (Egypt-Sudan Affairs)
on 21st November:Ahmer visit to Moscow

1. The Russians had exploited every possible propaganda angle of the visit of Ahmer (Egyptian Minister for Defence) to Moscow. The Egyptians, for their part, had no doubt felt that the attention paid to Ahmer by the Russians enhanced their prestige.

Offer of Russian Economic Aid

2. The State Department did not have any more information than had appeared in the press about the Russian aid offer which Ahmer had brought back from Moscow. According to the Egyptian press, the Russians were offering what appeared to be line of credit equivalent to 700 million rubles (United States 175 million dollars at official rate) repayable over twelve years.

3. Speculating on Russian motives, Stabler thought that the offer might have been made to counteract the recent trend in Egyptian policy to reduce its dependence on the Soviet Bloc and achieve return of normal trading relations with the West. Also, having offered the Syrians substantial economic aid, the Russians may have felt it necessary to make a parallel offer to Egypt.

Egyptian Campaign against Jordan

4. Egyptians were claiming to other Arab Governments that their attacks against Hussein had been caused by personal attacks on Nasser by Jordan Radio. Whatever the cause for violence of the Egyptian campaign against Hussein it had evoked little response in Jordan where the security position now appeared to be as good as it had ever been. Syrian bomb incidents had ceased before the Egyptian campaign started. The risk of Hussein being assassinated remained, but his prestige both inside and outside Jordan

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DEPARTMENT OF EXTERNAL AFFAIRS
CONFIDENTIAL
INWARD SAVINGRAM.

- 2 -

I.17505/6.

was now greater than before.

United States Aid

6. The decision to release dollars United States 600,000 for Egyptian-American improvement service was taken purely within the context of whether the United States should honour its 1953 Agreement which had never been terminated. The joint account for the project was nearly exhausted and a decision had to be taken. In the present circumstances, the State Department had not felt that any useful purpose would be served by repudiation at this time.

7. The fact that the announcement of this decision had come on top of the Soviet aid offer was coincidental.

MIN & DEPT E.A.
TREASURER & TREASURY
MIN & DEPT TRADE (C-M)

26th November, 1957.

SEC A/Ss LA UN ER CR FAC&AM AM&SP S&SEA SA EAF&ME
E AF&ME INF DL MT C&P

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250105/14

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INWARD SAVINGRAM.

Dated: 21st November 1957

Rec'd: 25th November 1957

(Transmitted via leased channel.)

FROM:

Australian Embassy,
WASHINGTON.SAV. 498. SECRET.

Information copies to London, Ottawa.

1. Black's Visit to Cairo.

In a report to the Bank Board on his visit to Cairo, Black said he had offered Bank services to facilitate negotiations on the settlement of the compensation problem. He had proposed that a Bank team should have separate meetings with the Egyptians and the Canal Company to ascertain views on both sides with a view to smoothing differences before negotiations were opened. This proposal now had the blessing of both sides. (According to the State Department (Shaw) Black was considering whether General Wheeler might be asked to make an assessment of the appropriate compensation figure. We were asked to safeguard this.)

2. Black also told the Bank Board that he had agreed the Bank should study the engineering and economic aspects of expanding services provided by the Canal, e.g. widening, deepening, parallel pipeline, etc. Black had made no promises regarding the availability of Bank finance whether for the Canal or any other project.

3. Stabler (State Department) told us the Egyptians had had some initial doubts about accepting proposed role for the Bank before it had been approved by shareholders of the Suez Canal Company. Further, that the Egyptians had insisted that the negotiating team for the Suez Canal Company would have to be approved by shareholders, as they were still maintaining fiction that they would not negotiate with the Company itself.

MIN. & DEPT. E.A.
TREASURER & TREASURY.
MIN. & DEPT. TRADE (C)
MIN. & DEPT. N.D.

26th November, 1957.

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INWARD CABLEGRAM.

SHA:AS

I.17393.

Dated: 20th November, 1957.
 2100.
 Rec'd: 21st November, 1957.
 1350.
 (Via leased channel)

FROM:
 Australian Embassy,
WASHINGTON.

1419. CONFIDENTIAL. PRIORITY.
 Addressed Canberra 1419 information copy to
 London and Ottawa.

United States Aid to Egypt.

The State Department announced to-day that it was releasing 600,000 dollars for a joint Egyptian/American Rural Improvement service project. According to Shaw (Near East Economic Affairs) the United States in 1953 agreed to contribute 10 million dollars towards a joint project which involved land reclamation, housing, social services, etc. Egypt under this agreement was to provide the equivalent of 15.6 million dollars in local currency for the project. The United States had stopped putting funds into the project at the time of the Suez crisis, but it had kept going on the funds already deposited in a joint account established in Cairo. Funds in this account were now nearly exhausted and 600,000 dollars would also cover the United States share up to the end of June, 1958. The position which the State Department was adopting was that the release of these aid funds had no significance beyond honouring an agreement which the United States had never terminated. This decision did not mean that the United States was reconsidering its general policy on the provision of aid to Egypt.

2. Blocked Balances.

Of the 40 million dollars blocked Egyptian funds, Shaw said the United States had so far released over 10 million dollars. One million dollars would be released shortly for diplomatic expenses. Most of the other money released was to pay United States exporters who had accepted orders before the Suez crisis.

MIN&DEPT E.A.
 TREASURER&TREASURY
 MIN&DEPT TRADE (C-M)
 MIN&DEPT PRIMARY INDUSTRY (C)
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 P.M'S

21st November, 1957.

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250/10/5/14

OUTWARD SAVINGRAM.

...VA

O. 14690

Sent: 21st November, 1957
1100

TO:

ALL POSTS.

SAVINGRAM.

GUIDANCE 32. CONFIDENTIAL.THE AFRO/ASIAN SOLIDARITY CONFERENCE

The Afro/Asian Solidarity Committee held a preliminary meeting in Cairo from 21-24 October for the purpose of arranging for a full-scale Conference in December. The meeting decided to issue invitations for an Afro/Asian Solidarity Conference held in Cairo from 26th December, 1957 to 1st January, 1958. In its statement announcing this decision the Committee called upon "the peoples" of Africa and Asia to meet together to discuss common problems in accordance with the principles of the United Nations Charter and Bandung. The following agenda for the December Conference was adopted:-

- (i) A review of the existing international situation and its bearing on the Asian and African countries.
- (ii) Imperialism and national independence.
- (iii) War in Algeria.
- (iv) Prohibition of the use and testing of nuclear and other weapons of mass destruction.
- (v) Racial discrimination.
- (vi) Consolidation of proposals for economic and technical cooperation among Asian and African countries.
- (vii) Consolidation of proposals for cultural exchanges among Asian and African countries.
- (viii) Other problems raised by delegates.

2. Other resolutions of the October meeting were anti-Western in character, including a message of support to Syria (with a copy to the United Nations Secretary-General) and a condemnation of France's "imperialist war" in Algeria.

Communist Influence

3. The Afro/Asian Solidarity Committee is a Communist-front organization launched at the Communist-inspired Asian Conference for the Relaxation of International Tension held in New Delhi in 1955 just before the Bandung Conference.

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The aim of this Committee is to ensure the maximum communist influence in and exploitation of any organized Afro/Asian cooperation and to attract popular support for Communist policies under the guise of the Bandung principles. There are local solidarity Committees in 14 Asian countries which have replaced the discredited "Peace Councils" as the chief means of rallying popular support for the causes of international Communism. At a meeting in New Delhi in December 1956 the Committee decided to extend the movement into Africa and to sponsor an Afro/Asian conference in 1957, if possible in Cairo.

Egyptian Interest

4. The Egyptian Government's approval of the project was received last February, and Nasser himself ordered the establishment of a secretariat for the preliminary Conference in October, of which an Egyptian was appointed Secretary-General. The Egyptian 10-man delegation to the October meeting was led by Anwar Sadat, a left-winger and a former close associate of Nasser, who is Secretary-General of the Islamic Congress. The Egyptian Solidarity Committee met the travelling and living expenses of delegates to the October meeting. According to the Cairo press the Secretariat has allocated a further £stg.30,000 to meet expenses for the December Conference, the Committee bearing travel and accommodation costs of two out of a possible five delegates from each country.

5. It is thought that Nasser himself is aware of the Communist inspiration of the Solidarity proposals, but is anxious to proceed with the Conference, in view of the failure of his efforts to arrange for the holding of a second Bandung Conference in the near future. He no doubt calculates that a full-dress conference in Cairo will help to restore and extend his prestige and influence in Arab countries and possibly in the new African States.

Non-Official character of Conference

6. The significance of the Conference projected for December must not be confused by any association with the original Bandung Conference of Afro/Asian powers. The Colombo Powers, delegated by the latter Conference to consider the desirability of calling a further such Conference, have had no official association with plans for the "Solidarity" Conference.

7. The 21 countries claimed by the organizers to have been represented at the October meeting are as follows:-

Afghanistan, Algeria, Cambodia, Cameroons, Ceylon, China, Egypt, India, Indonesia, Iraq, Japan, Jordan, Lebanon, Libya, Mongolia, Sudan, Syria, Tunisia, Turkey, U.S.S.R., North Viet Nam.

In most cases the delegations did not represent their Governments but were "leaders of popular movements,

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OUTWARD SAVINGRAM.

leaders of cultural movements, members of Parliament, or municipal councillors". Clearly, in the case of Egypt and of Communist countries delegates were either government officials or nominees. Cambodia and Afghanistan were represented by foreign service officials. In other cases the representatives were from Afro/Asian solidarity Committees or from bodies which were either Communist, left-wing, or anti-government.

8. It is known that in Asian countries where they were established, the Solidarity Committees had been preparing for the October meeting for some time, but invitations to countries with no "Solidarity" committees and which are in the main favourably disposed to the West, seem to have been issued only at the last moment. It can be assumed that these precautions against the possibility of any effective opposition to their anti-western line will be repeated for the December conference and that there will be a similar pattern of representation. The organizers may, however, be more successful in drawing an increased number of governmental representatives if their stated objectives of "continuing the policy of the Bandung conference and of strengthening the bonds of cooperation between the peoples of Afro/Asian countries "are given any credence by the latter.

United Kingdom Policy

9. In the assessment of the United Kingdom Foreign Office, the December Conference will be stage-managed by the Communists who are quite capable of stultifying or distorting any expressions of moderate opinion. The resolutions can be expected to be hostile to the interests of the United Kingdom and of the West generally. By confusing people's minds about the origin and orientation of the Solidarity movement the Communists will undoubtedly attempt to pass off these resolutions as embodying authentic Afro/Asian opinion. United Kingdom missions were instructed before the October meeting to endeavour to ensure that governments concerned were aware of the true nature of the Solidarity movement.

United States Policy

10. The State Department assessment of the Solidarity Committee and its works tallies with that of the U.K. Foreign Office. Before the preparatory meeting, United States Embassies in Afro/Asian countries had been instructed to bring to the attention of the Governments to which they were accredited the fact that the organizers of the meeting had a strong communist bias. We understand a similar instruction will be sent regarding the December meeting.

Australian Policy

11. Our attitude to the December Conference conforms with that of the United States and the United Kingdom. You should take any opportunity to acquaint members of the Government to which you are accredited with the extent of the Communist control of the Solidarity movement which is sponsoring the

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DEPARTMENT OF EXTERNAL AFFAIRS.

OUTWARD SAVINGRAM.

Conference. If interested Governments are not prepared to denounce the Conference, it is in our interest that they should avoid any action or pronouncement which might lend it respectability.

12. When appropriate, you might point out that it will not serve Afro/Asian interests if the genuine Bandung spirit is captured by the Communists for their own ends, and that it might prove difficult to organize a second and impartial Bandung conference with the full cooperation of all Afro/Asian Governments if a Communist front organization has already succeeded in staging a conference purporting to serve the same principles.

MIN. & DEPT. E.A. (3002/2)

21st November, 1957.

SEC A/Ss LA UN ER CR PAC&AM EA AM&SP SA SEA@
EAF&ME E AF&ME INF DL MT C&P

CONFIDENTIAL

250/10/57/14

SECRET**INWARD CABLEGRAM.**

..MC

I.17409.

Dated: 20th November, 1957.

Rec'd: 21st November, 1957.
1816.

(Transmitted via leased channel.)

FROM:

Australian Mission to the United Nations,
NEW YORK.NY1823. **SECRET**Repeated Washington for information,
London Savingram 367 and Ottawa
Savingram 415.Your 892 - U.N.E.F.

Canada and Norway agree that there have been few incidents lately but believe that deployment or patrols in Israel would increase U.N.E.F.'s effectiveness. It would help detect infiltrators returning to Gaza or coming from Jordan and the few Israeli incursions into Gaza.

2. The United States believe important effect of deployment in Israel would be to permit widened scope of operations in Egypt.

3. All agree the main disability is political in that Egypt can request withdrawal at any time.

4. Hope to obtain Burns' views tomorrow.

MIN & DEPT E.A.
MIN & DEPT DEFENCE
r.M's

22nd November, 1957.

SECRET

250/10/57/14

DEPARTMENT OF EXTERNAL AFFAIRS. **CONFIDENTIAL**

INWARD CABLEGRAM.

SHA:AS

I.17393.

Dated: 20th November, 1957.
2100.
Rec'd: 21st November, 1957.
1350.
(Via leased channel)

FROM:

Australian Embassy,
WASHINGTON.

1419. **CONFIDENTIAL. PRIORITY.**

Addressed Canberra 1419 information copy to
London and Ottawa.

United States Aid to Egypt.

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MIN&DEPT E.A.
TREASURER&TREASURY
MIN&DEPT TRADE (C-M)
MIN&DEPT PRIMARY INDUSTRY (C)
P.M'S DEPT
P.M'S

21st November, 1957

CONFIDENTIAL

250/10/57/14

CONFIDENTIAL

DEPARTMENT OF EXTERNAL AFFAIRS.

INWARD SAVINGRAM.

CM:VA

I. 17162

Sent: 15th November, 1957

Rec'd: 19th November, 1957.

(Transmitted via leased channel)

FROM:

Australian Embassy,
WASHINGTON. (Information copies London and Ottawa).

SAV. 477. CONFIDENTIAL.

Egyptian Economic Policy Towards The West.

The following from Shaw (Middle East Economic Affairs) on 14th November:-

- (a) Egypt gave every indication of wishing to "normalize" its commercial relations with the West. Shaw thought the reason for this was the Egyptian desire to reduce to some extent its dependence on Communist Bloc markets for the sale of its cotton exports.
- (b) Anglo-Egyptian talks in Rome were going well and Shaw thought that agreement could be expected before long.
- (c) Egyptian negotiations with the French were not going so well. This was probably because the French did not have the same bargaining leverage as the United Kingdom as an importer of cotton.
- (d) Egyptian desire to reach a settlement of the compensation issue with shareholders of the Suez Canal Company probably hinged on the Egyptian desire to secure the unblocking of Egyptian accounts in the United States. The United States had told the Egyptians that settlement of the compensation question would be prime consideration for an unblocking of funds as the United States did not want its interests placed in "double jeopardy" from possible legal action by the Suez Canal Company for payment of Canal tolls to Egypt.

MIN. & DEPT. E.A.
MIN. & DEPT. TRADE (C.M.)
MIN. & DEPT. PRIMARY INDUSTRY (C.)
TREASURER & TREASURY

19th November, 1957.

CONFIDENTIAL

250/10/5/14

C O N F I D E N T I A L

L.N.

I.15870/71/15912/13/14.

Dated: 28th October, 1957.

FROM:

Rec'd: 29th October, 1957.
(Transmitted via leased channel)

Australian Embassy,
WASHINGTON.

SAVINGRAM 431. CONFIDENTIAL.

Repeated to New York Savingram miscellaneous 242, copies to London and Ottawa.

Meeting of Preparatory Committee of Afro-Asian Solidarity Conference in Cairo.

Following from Stabler (Egyptian Affairs) on 25th October:-

The Preparatory Committee of the Afro-Asian solidarity conference concluded its meeting in Cairo on 23rd October. The committee decided to issue invitations for an Afro-Asian solidarity conference in Cairo from 26th December, 1957 to January 1st, 1958. The Preparatory Committee drew up the following agenda for the December Meeting.

- (A) Review of present international situation and its effects on Afro-Asian peoples.
- (B) Opposition of imperialism, and the attainment of the peoples' rights of independence and sovereignty.
- (C) Algerian war.
- (D) Banning of the use of nuclear weapons and the halting of nuclear tests.
- (E) Racial segregation.
- (F) Supporting of economic and technical co-operation among Afro-Asian peoples.
- (G) Bolstering of all means that would promote the exchange of cultural missions between the countries of Asia and Africa.
- (H) Any other matters that may be submitted.

2. The Preparatory Committee also sent a message of support to the Syrian Government which referred to "a campaign of lies and slander" against Syria, but the message did not refer to Turkey or the United States. The same message was sent to the Secretary-General of the United Nations, together with thanks to the United Nations for its interest in the Syria-Turkish issue. These messages were signed by all delegates except Turkey and Cambodia. Another message to the United Nations denounced France for "imperialistic" war in Algeria. The statement was issued calling upon the Afro-Asian peoples to prepare for a December conference which denounced the "mad arms race" and called for a discussion of common problems in line with the United Nations charter and Bandung principles. A further statement was issued which thanked the delegates in the name of Egypt for the support of Afro-Asian peoples in Egypt's "hour of crisis".

3. The representatives of 21 countries participated in a Preparatory Committee meeting. Invitations were issued to the Afro-Asian solidarity committees in countries where these were in

...2..

C O N F I D E N T I A L

2. I.15870/71.15912/13/14.

existence (Communist China, Mongolia, North Vietnam, Japan and India) and in other cases were sent to Governments to pass on to the appropriate persons. In many of the latter cases, invitations were taken up by members of the Peace Council and other communist front organisations. The organisers of meeting had, however, clearly hoped to draw some governmental representatives.

4. Among the Asian countries, India was represented by Anup Singh who is a member of Parliament for Punjab and a "Fellow Travelling" member of the Congress party. (Singh is Secretary of the Indian branch of the Asian solidarity committee and Secretary General of this organisation's central secretariat). Burma was represented by Yebow Myo Myint who is the General-Secretary of the World Peace Council for Burma. Cambodia was represented by Huet Sambath who was apparently at one time the Deputy Minister of Foreign Affairs but now holds no official position. Japan was represented by Tokusabura Dan who is prominent in Asian solidarity committee in Japan and has had a long association with the Japanese Communist Party, and Sunao Sonoda who is affiliated to the bezal democratic party and was Minister of Foreign Affairs 1955-1956. There was an Indonesian representative but Stabler did not have any information about him. Afghanistan was represented by the head of its information office in Cairo. No other non-Communist Asian countries were represented at the meeting.

5. Among the Middle East and African representatives, Egypt and Syria were represented by members of Parliament and other persons connected with the regimes in those countries. None of the other Arab countries were represented by persons with any official standing. Jordan was represented, for example, by Abdulla Rimawi (exiled former Foreign Minister of the Nabulsi Government). Turkey was represented by a faculty member of Ankara University in whom the Turkish authorities had full confidence. The Turkish representative, with the support of Cambodia, played a considerable part in opposing some of the more obvious Communist manoeuvres at the meeting.

6. The Soviet Union was represented by Ermov Diman (President of the Turkmen University), and Communist China by Tang Yen Shao (Vice President of the National Peoples' Congress).

7. The full list of countries with delegates at the meeting was as follows:-

U.S.S.R., Mongolia, Communist China, North Vietnam, Japan, India, Burma, Cambodia, Indonesia, Afghanistan, Turkey, Jordan, Iraq, Syria, Lebanon, Libya, Tunisia, Sudan, Algeria, French Cameroons and Egypt.

Egyptian Role at Meeting.

8. Stabler recalled that in November last year Egypt had suggested calling on another Afro-Asian Conference. This suggestion had not been greeted with enthusiasm by the Colombo Powers. In February of this year Anup Singh and other members of the central secretariat of the Afro-Asian solidarity committees had visited Cairo and suggested that a meeting should be called of Afro-Asian Solidarity Committees in Cairo. Nasser had made an announcement at that time stating that he would call an Afro-Asian Solidarity Conference late in 1957 but it was not clear from the terms of his announcement whether the conference would be non-governmental character. Late in September Nasser had announced his approval for a preparatory meeting in October and Afro-Asian Solidarity Conference later this year. An Egyptian Afro-Asian Solidarity Committee was formed under Jusaf Sabai which invited Anup Singh to issue invitations for a preparatory meeting in Cairo in October. The State Department had received a number of reports which suggested that Nasser told Sabai to organise a conference but on the

...2...

C O N F I D E N T I A L.

3. I.15870/71/15912/13/14.

understanding that it avoided too clear an anti-West or pro-Communist bias. Apart from the positions taken by the Turks and Cairo Representatives at the Preparatory Meeting, the State Department believed that the Egyptians also played a significant part in ensuring that pronouncements by the Conference did not have too strong a communist flavour. Stabler commented that this was in line with current Egyptian policy. The Egyptian representative at meeting was Anwar Sadat who was at one time close to Nasser on the Revolutionary Council and is at present Deputy Speaker at the Egyptian National Assembly and Secretary-General of the Islamic Congress. (Sadat is a left winger who was dropped from the Revolutionary Council by Nasser shortly after he came to power).

9. The United States Embassy in Cairo commenting on the meeting said that Nasser had wanted a second Bandung Conference but as he was eager to get an Afro-Asian backdrop for his foreign policy he was apparently not prepared to wait for a second Bandung Conference. The Embassy also thought it of interest that almost all pronouncements of conference were aimed at "Afro-Asian peoples".

United States Policy.

10. The State Department had noted that U Nu on 15th October at a press conference and in reply to questions about the Cairo Conference had said he did not know of any Afro-Asian Conference which would take place with Soviet participation and had added that the Afro-Asian Conference could only be called by Colombo Powers. Stabler said that comments of this sort were extremely useful and he hoped other Colombo Power Governments would make similar statements before the December meeting.

11. Before the preparatory meeting the United States Embassies in Afro-Asian countries had been instructed to bring to the attention of the Governments to which they were accredited the fact that the organisers of the meeting had a strong communist bias. Stabler thought that some time late in November a similar instruction would be sent regarding the December meeting.

12. The State Department would be interested in any information we might obtain.

A/MIN. & DEPT. E.A.(3002/2)
MIN. & DEPT. DEFENCE.

30th October, 1957.

SEC A/Ss LA UN TA ER PAC&AM EA AM&SP S&SE. SA SEA D.AF&ME
E AF&ME INF DL MT C&P.
SINGAPORE PHNOM PENH DJAKARTA TEL AVIV SEOUL HONG KONG
ACCRU SAIGON BANGKOK NEW DELHI RANGOON MANILA KARACHI TOKYO
COLOMBO.

250/10/5/14
DEPARTMENT OF EXTERNAL AFFAIRS.

INWARD SAVINGRAM.

This Savingram is being circulated within the Department of External Affairs only. No copy or extract may be made from it.

...:VA

I. 15847

Sent: 22nd October, 1957

Rec'd: 29th October, 1957

FROM:

Australian Embassy,
WASHINGTON.

SAV. 416. RESTRICTED.

Herewith Savingram from United Kingdom Embassy to Foreign Office.

MIDDLE EAST: AMERICAN PRESS AND RADIO COMMENT.

Although few commentators claim to understand the purpose of recent Soviet statements about the Middle East and Turkey, all are agreed that they tie-in with the new Soviet policy of "blackmail diplomacy" based on missile strength. The United States Government's declaration of its intention to support Turkey was approved, as being the only honourable course; but there is a good deal of anxiety about the extent to which the United States may become involved.

2. The movement of Egyptian troops into Syria has aroused concern. It is regarded as "primarily a political and diplomatic, rather than a military move", and as a further attempt by Colonel Nasser to strengthen his hand in the Arab world.

3. The Congressional resolution on the Middle East (the Eisenhower Doctrine) has come in for belated criticism on the ground that if its purpose was to isolate Syria, "it has plainly back-fired". The Lebanon is not popular with the press, since "having just about used up the \$200 million (sic) it got under the Eisenhower Doctrine, it is now seeking renege". Many commentators have concluded that "all that United States efforts have succeeded in doing is to unite the Arabs against the United States". None seem to know just what United States' policy is, and Mr. Dulles is under fire.

E.A.

29th October, 1957.

28/10/57/4

SECRET

INWARD SAVINGRAM.

JG:SS

I. 14899/14900

Dated: 10th October, 1957
1955
FROM: Rec'd: 14th October, 1957
0930Australian Embassy,
W A S H I N G T O N

(Via lensed channel)

SAV.404. SECRET

Copies to New York and Ottawa.

Relations with Egypt - our telegram 1229.

On October 7th we asked Shaw (State Department) whether any change was contemplated in United States economic policy towards Egypt. He was not aware that any change was currently envisaged. He understood that Dulles and Lloyd had agreed in New York that 'economic pressure' should continue to be placed on Egypt. He commented however that he was not sure that 'economic pressure' meant the same thing to both the United States and the United Kingdom. (He said that the Department had been at a loss to understand why the United Kingdom was permitting the sale of Viscount aircraft to Egypt).

2. According to the United States Embassy, Cairo, United States economic restrictions were having some impact on economy-in particular, Egypt's inability to purchase certain spare parts and lubricating oils from the United States and the harmful effects of the latter's surplus cotton disposal policy. In the last resort however, restrictions - including those of the United Kingdom and France - were of little more than nuisance value. They were causing the United States considerable political harm in Egypt. Thus, even pro-western Egyptians considered that the United States, which had been affected only indirectly by nationalisation of the Suez Canal, was acting unduly harshly towards Egypt. In this connection the Department had anticipated that the Egyptian Foreign Minister, during his visit to Washington for the International Bank and Fund meeting, would raise the question with the Administration. Indeed it had been feared that Egypt would formally complain to I.M.F. that United States exchange regulations were contrary to I.M.F. principles. In fact none of these things happened. The Minister of Finance had confined himself to speaking informally to the United States representative suggesting that, if restrictions were still in effect at the time of the next I.M.F. meeting, Egypt might have no alternative but to renege the matter.

3. The economic situation in Egypt continued to be serious but not critical. Apart from a shortage of foreign exchange there was general inflation accentuated by borrowings from the Bank of Egypt for armed forces expansion. The United States Embassy doubted whether the situation would ever be so bad that potential domestic political repercussions could not be contained by the Regime. The principal difficulty was the shortage of foreign exchange and efforts were being made to remedy this by a concerted cotton export drive. The Embassy thought Egypt was also concerned to reduce its economic dependence

SECRET

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SECRET**INWARD SAVINGRAM.**

2.

I. 14899/900

on the Soviet Bloc. Readiness to negotiate with the United Kingdom and France should be looked at in this context. However, the Embassy did not think that steps towards normalizing relations with the West could be interpreted to mean any abandonment of 'neutralism'. It was simply that Egypt desires to be economically independent of both Blocs. Thus at the present time it was seeking to reduce what it regarded as undue dependence on the Soviet.

A/MIN & DEPT EA
A/SOLICITOR-GENERAL
MIN & DEPT TRADE (C)
A/TREASURER & TREASURY
P.M.'s DEPT
P.M.'s

14th October, 1957

SECRET

250/10/916

CONFIDENTIAL

AS:HP

I.12692/3/4

Dated: 6th September, 1957.

2030

FROM: Rec'd: 7th September, 1957.

1404

(Transmitted via leased channel)

Australian Embassy,
WASHINGTON.

1084. CONFIDENTIAL.

Repeated to London 137.

Henderson Mission.

The State Department (Lampton Berry, Deputy Assistant Secretary) gave us the following on 6th September:

(i) The Leaders of Jordan, Iraq, Lebanon and Turkey had all been deeply concerned by Syrian developments. They considered that if the present trend continued it would inevitably mean the transformation of Syria into a Soviet satellite. This would gravely threaten their own independence.

(ii) The Arab leaders considered however that the application of pressures by countries from outside the area would be "counter-productive" in that it would unite the Arabs behind Syria. Nasser also would be given an opportunity to re-establish his leadership. If anything was to be done about the situation, it would have to be done by the Arabs themselves. This was the United States Government's own view, which had been confirmed by Henderson's visit. Berry indicated that present Departmental thinking was opposed to active United States intervention.

(iii) The United States had nevertheless decided to expedite the delivery of military equipment (the supply of which had been approved in advance of the crisis) because of the need to support morale in the Arab countries bordering on Syria. A fleet of eight C.124's was being used for airlift and supplies had already been delivered to Iraq. Deliveries to Jordan would begin next week. The equipment included 108 m.m. recoilless rifles and jeeps for their mounting. It did not include tanks.

(iv) Increased American assistance was intended for purely defensive purposes. Syrian leaders were young and impulsive and it was not inconceivable they might make an aggressive move. Further it was designed as a "shot-in-arm" for the Arab leaders and had the psychological advantage of underlining United States support for the Arab states.

(v) Hussein was particularly grateful for this assistance and was arranging for the maximum publicity on the arrival of the equipment. Berry thought this was somewhat unfortunate. It would have been better from a psychological point of view if it had simply become known that the delivery of arms was being expedited.

(vi) We asked about the possibility of military action against Syria. Berry said neither Jordan nor Iraq were strong enough for this. Action by either Israel or Turkey would have unfortunate political consequences. Intervention by the latter would only unite the Arabs against Turkey. Henderson's

CONFIDENTIAL /discussions.....

CONFIDENTIAL

-2-

I.12692/3/4

discussions with the leaders in fact had been confined to the possibility of economic and psychological pressures.

(vii) The United States was in full consultation with the United Kingdom and the latter was aware of the speeding up of arms deliveries.

(viii) Lebanon had repeated to Henderson its desire that the United States make a public declaration that it would resist any threat to Lebanon's integrity. A reply had not been given but Berry considered it would be constitutionally impossible for the United States to go further than it already had under the Eisenhower doctrine and the 1950 Tripartite Declaration. In any case he saw no particular gain in making a special case of Lebanon.

(ix) As regards the internal situation in Syria, the Department had noted with concern the well-conceived and executed plan for replacing high Gendarmerie officials with Leftist officers and the purge of civil servants. This indicated either that M.V.D. officials were in Syria and advising the Regime or that the Syrians had been particularly well schooled in Moscow. It was also revealing that servants of the United States Embassy personnel had been bribed to permit officers' homes to be searched. Servants had also been subjected to long interrogations.

(x) It was probable that Syria would behave circumspectly in the immediate future. However, an all out subversive effort could be expected fairly soon. This would be particularly so in Jordan. The position might be critical in Lebanon also. For some time the Syrians had been smuggling in arms to various Moslem elements in Lebanon.

(xi) This week Ambassador Haro had a long talk with Nasser. The latter professed to be completely unconcerned by developments and claimed that the Syrian regime was simply a manifestation of Arab Nationalism. (The Department has however received reports from sources which suggested that Nasser was in fact considerably concerned.)

(XII) Although Saus was very disturbed he was inclined to blame the West. In particular the United States should have supplied more aid and pursued a more pro-Arab policy. While considering that Syrian leaders were a "bad lot" Saud was not prepared to admit that they were in any way directed from Moscow. Moreover, Saud was as resentful as ever at United States policy on Aqaba. While he was increasingly disillusioned by Syrian and Egyptian policy he probably could not be expected to publicly condemn either regime.

(xiii) Berry said that although United States policy had not yet been decided upon by the Secretary and President, it was difficult to see what positive action could be taken. He personally believed that it would be unwise for the Western Powers to make any dramatic moves at the present time.

2. The Ambassador will see Henderson on Monday.

A/Min. & Dept. E.A.

" " " Defence. P.M.'s.

8th September, 1957.

CONFIDENTIAL

SEC A/S
DL MT CEP LA UN ER CR PAC&AM AM&SP S&SEA SA DAF&ME E AF&ME INF
TEL AVIV WELLINGTON UN NEW YORK LONDON

250/10/5/14
SECRET

DEPARTMENT OF EXTERNAL AFFAIRS.

:ABK.

INWARD SAVINGRAM⁶⁷⁷.

Dated: 13th June, 1957/

FROM:

Rec'd: 21st June, 1957.
1340.

Australian Embassy,
WASHINGTON.

SAVINGRAM 213. SECRET.

Your telegram 475.

Wheat for Egypt.

On 12th June we informed the State Department (Shaw) that Egypt had enquired whether Australia would be willing to bid against other suppliers for supply of wheat to Egypt and that the Australian Wheat Board had been instructed to indicate its willingness to bid if tenders are called for and payment is in sterling from No. 1 special account. Shaw expressed thanks for this information and commented that if negotiations ever matured he expected that Egypt would endeavour to pay from ordinary No. 1 account.

2. He said that examination of United States/Egypt trade statistics for this year showed that United States exports for the first quarter were approximately 11 million dollars, considerably less than before the Suez crisis. Included was an amount of about 2 million dollars for edible grains and manufactures thereof. Shaw presumed that this may have been wheat or flour but the statistics are not specific enough to indicate at this stage whether or not this is true.

3. Egypt's exports to the United States have been correspondingly low and in January of this year amounted to less than 2 million dollars, almost all of which was cotton or cotton manufacturers

MIN. & DEPT. E.A.
MIN. & DEPT. TRADE (C)
MIN. & DEPT. PRIMARY INDUSTRY (C)
TREASURER & TREASURY.

24th June, 1957.

SEC A/Ss UN ER@ PAC&AM AM&SP S&SEA SA E.A&ME E
AF&ME INF C&P.
G.

SECRET

250/10/5/14
SECRET

INWARD CABLEGRAM.

MS:MS

I.7581

Dated: 29th May, 1957.
 1719
 Rec'd: 30th May, 1957.
 1100

FROM:

Australian Embassy,
W A S H I N G T O N.

595. SECRET.

Repeated London 64.

Your telegram 429.

Wheat Sales to Egypt.

1. State Department (Shaw) advises that there are no United States restrictions on purchase by Egypt of United States goods, provided such goods are not strategic (i.e. on the international list I, II, and III and China list) and are paid for from current earnings. Accordingly if Egypt sought to buy wheat from the United States to be paid for from its current earnings, no objections would be raised. It seems unlikely, however, that their dollar earnings would enable them to buy any significant quantity. If Egypt sought to pay from its blocked United States account the request would be refused.

2. In Shaw's opinion, wheat and kerosene are the critical items for the Egyptian economy. If Egypt can meet its needs for these items, the effectiveness of present pressures might be substantially diminished. The State Department had refused request from Egypt for resumption of PL480 sales of wheat. Shaw said, however, that if Australia exported a sizeable amount of wheat to Egypt it would be very difficult for the State Department to withstand pressure for resumption of PL480 sales.

3. Regarding Egypt's capacity to pay, Shaw estimates that Egypt has perhaps 30,000,000 dollars in unblocked funds in all currencies. Egypt's Suez Canal foreign exchange earnings - as distinct from its net profits - should very soon be of the order of about 100,000,000 dollars per annum.

4. Shaw anticipates that the United Kingdom may have to agree to at least partial unblocking of No.1 account and in this connection the Egyptians have suggested to the State Department that since the United Kingdom has 'relaxed' its attitude, the United States should unblock Egypt's account. If there should be any unblocking of the No.1 account the United States would have to re-examine its own position. At present, the United States has no intention of changing its policy. Shaw believes that from West's point of view, it would be most unwise for the United States to abandon its controls. They may not be sufficient to bring down Nasser, but they do indicate in a positive way the displeasure of the United States. So long as they are maintained, there is some

SECRET

- page 2 -

DEPARTMENT OF EXTERNAL AFFAIRS.

SECRET

INWARD CABLEGRAM.

I.7581

prospect that Egypt may agree to more favourable terms
in respect of the Canal management.

MIN & DEPT E.A.
MIN & DEPT TRADE (C)
MIN & DEPT PRIMARY INDUSTRY(C)
TREASURER & TREASURY
P.M.'s.

30th May, 1957.

SEC I/Ss L&T(DIV.5) UN ER@ PAC&AM AM&SP S&SEA.
SA E.AF&ME E AF&ME INF C&P

G.

SECRET

250/10/5/14
DEPARTMENT OF EXTERNAL AFFAIRS.

INWARD CABLEGRAM.

SECRET

...:SS

I. 7584

FROM:

Dated: 29th May, 1957
1719
Rec'd: 30th May, 1957
1100

Australian Embassy,
W A S H I N G T O N

596. **SECRET**

Addressed Canberra 596, repeated London 65.

For Casey from Spender.

My immediately preceding telegram reports discussion with the State Department on the sale of wheat to Egypt. I thought it unwise to mention the figure of 400,000 tons to the State Department at this stage because I am certain that it would cause considerable concern at high level. In view of the way in which we have in the past urged the United States Government to maintain its economic pressure against Egypt, the Australian proposal to provide such substantial quantity of commodity which is critical for Egypt, might cause considerable misunderstanding. I particularly drew attention to paragraph 2 of my 595 and bearing of this matter on any ultimate Canal settlement.

MIN & DEPT EA
MIN & DEPT TRADE (C)
MIN & DEPT PRIMARY INDUSTRY (C)
TREASURER & TREASURY
P.M.'s

30th May, 1957

SEC A/Ss UN ER@ PAC&AM AM&SP S&SEA SA EAF&ME E
AF&ME INF C&P

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ABK:ABK.

DEPARTMENT OF EXTERNAL AFFAIRS.

I.6869.

INWARD CABLEGRAM

Dated: 14th May, 1957.

2004.

FROM:

Rec'd: 15th May, 1957.
1430.

Australian Embassy,
WASHINGTON.

527. SECRET.

Copy London.

Your 373.

United States/Egyptian Economic Relations.

1. State Department (Shaw) advises that at the present time United States does not intend to relax its economic pressure on Egypt, at least in short-run, either settlement of Universal Canal Company's claim on Egypt or favourable turn in Egyptian policy.

2. Following is the position.

- (A) Frozen Assets. Only releases made have been in respect of compassionate cases for Egyptian diplomatic expenses in United States and in payment for commercial contracts where goods had actually left the United States prior to freezing contracts from freezing of assets. Current Egyptian dollar earnings are not frozen. These are very small, but there have been some sales of Egyptian cotton to New England textile firm.
- (B) Surplus Agricultural Products Disposal. All PL480 transactions have been suspended, except that a certain quantity has been made available to CARE in order to provide for refugees in Port Said.
- (C) Economic Assistance to Egypt. No new money has been committed but orders placed outside the United States in respect of United States economic assistance to Egypt have been allowed to proceed.

3. Shaw said the Department was wondering whether the United Kingdom, having reached agreement with Egypt regarding the payment of tolls in Sterling, might not be obliged to release funds from the Egyptian No. 1 Account. When Caccia told Dillon about the outcome of negotiations with Egypt, he had stated that the United Kingdom agreement with Egypt should not be interpreted as suggesting any relaxation in the former's attitude - presumably in respect of release of frozen assets. Nevertheless, Shaw felt that the Egyptians would not have agreed to accept payment in sterling unless some concrete hope had been held out to them that funds would be unlocked. If United Kingdom release Egyptian assets, Shaw said the United States might then have to reconsider its own attitude.

4. The State Department considers that Egyptian management of the Canal will suffer severe test in next few weeks when the traffic returns to pre-closure level. Egypt will not have nearly as much equipment as previously used in running the Canal. In this connection the Egyptians apparently had suggested to Italians that it might be desirable in conformity with paragraph 4 of Egyptian memorandum if Association of Users was formed to take action to remedy the shortage of equipment. Shaw's own reaction (which he gave to Italians) was that it would be unwise to respond at present to this suggestion on the grounds that the Western bargaining power would be increased if the Egyptians were forced to make specific proposals.

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DEPARTMENT OF EXTERNAL AFFAIRS.

SECRET

INWARD CABLEGRAM.

2. I.6869.

MIN. & DEPT. E.A.
MIN. & DEPT. DEFENCE.
MIN. & DEPT. TRADE (C)
TREASURER & TREASURY.
P.M.'S.

15th May, 1957.

SEC A/Ss L&T(DIV.5) UN ER PAC&AM AM&SP S&SEA SA
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G.

SECRET



250/10/5/14

DEPARTMENT OF
EXTERNAL AFFAIRS

4 APR 1957

CANBERRA

AUSTRALIAN EMBASSY.
WASHINGTON, D.C.

In reply quote No.....

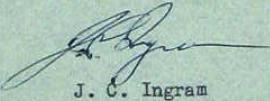
Memorandum No. 429/57

29th March, 1957.

The Secretary,
Department of External Affairs,
Canberra, A.C.T.

NASSER

Attached for your information is an article which appeared
in the Christian Science Monitor of the 26th March, 1957 giving
a leading American journalist's impression of Nasser.


J. C. Ingram
Second Secretary.

"Sandust bazaar the second" of
Joseph L. Karsch. (Article sent to
A.E. Wilson).

C.R.

In reply quote No.

RESTRICTED

AUSTRALIAN EMBASSY,
WASHINGTON, D.C.

Memorandum No. 117/57

25th January, 1957.

The Secretary,
Department of External Affairs,
CANBERRA...A.C.U.

U.S. POLICY TOWARDS EGYPT

Your attention is drawn to the attached article by James Reston from "The New York Times" of the 25th January describing a "propaganda counter offensive" which the U.S. Government is said to be preparing to launch against the operations of Radio Cairo and Radio Moscow in the Middle East.

2. Reston states that the U.S. Government's position is "definitely hardening" against Nasser, particularly since Egyptian propaganda has begun increasingly to echo the Moscow line that the Eisenhower Doctrine is a device of U.S. imperialism to take over the Middle East. Reston says that, despite 9½ hours daily of Arabic broadcasts made by the "Voice of America", Radio Cairo still dominates the air in the Middle East. Part of the reason appears to be the inadequacy of the U.S. medium wave transmitter located on a ship anchored off Rhodes, and Reston reports that the new U.S.I.A. director, Arthur Larson, will look into the prospect of building a new transmitter on land during his current trip to the Middle East.

3. Reston refers to one of the principal difficulties confronting the U.S. in the Middle East, namely the critical shortage of Arabic linguists at its missions in the area, which compares most unfavourably with the large number of members of Soviet missions who are fluent in the language. It seems that measures to deal with this shortage are not making much progress.

✓
D

RESTRICTED

Enc.

W. K. Flanagan
W. K. FLANAGAN
Second Secretary

C/R

U.S. Maps Radio Campaign On Propaganda in Mideast

THE NEW YORK TIMES 25 January, 1957

By JAMES RESTON
Special to The New York Times.

WASHINGTON, Jan. 23.—The Administration is planning a propaganda counteroffensive against Radio Cairo and Radio Moscow in the Middle East. This Government's position is definitely hardening against:

Abdel Nasser, the Egyptian President. And now that Egyptian propaganda is beginning to spread an unfriendly version of President Eisenhower's Middle Eastern policy, Washington is planning counter measures.

This is one reason that Arthur Larson, the new head of the United States Information Agency, has left for the Middle East.

He is now in London and will leave this week-end for Karachi, New Delhi, Baghdad, Beirut and Cairo.

The Arabic broadcasts from Radio Moscow and increasingly from Radio Cairo have consistently represented the Eisenhower doctrine as a device of United States imperialism to take over the Middle East, and eventually to bring war to it.

The President seeks a resolution that would authorize him to commit United States forces against Communist military aggression in the Middle East if any victim requested such help. The Administration's proposal also would permit the President to spend, free of present restrictions, up to \$200,000,000 in foreign aid funds already appropriated for special economic projects.

Arabic Broadcasts Increased

United States propaganda activities have been increased to counteract this. The Voice of America is directing nine and a half hours of Arabic broadcasts daily into the area. But the hostility of the powerful Cairo radio still tends to dominate the air waves, much to the disadvantage of the United States.

One reason is that the main United States medium-wave transmitter in the area is on a ship anchored off the island of Rhodes.

This floating transmitter was authorized originally by Congress for breaking through the Iron Curtain from constantly changing positions.

In fact, it has been a disappointment. The ship has been anchored at Rhodes most of the time and is one source of Mr. Larson's dissatisfaction with the United States broadcasts to the Middle East.

The new information director, who was formerly Under Secretary of Labor and now enjoys the personal support of President Eisenhower for his propaganda plans, will look into the prospect of building a new medium-wave transmitter on land on Rhodes or in Turkey.

He also will be taking his first look at the overseas personnel and operations of the United

U. S. RADIO DRIVE SET FOR MIDEAST

Continued From Page 1

States propaganda agency. One problem, not only of the agency but also of all Government operations in the Middle East, is the scarcity of American officials who speak Arabic fluently.

The agency has about fifty American officials in the six Arab countries of Egypt, Iraq, Jordan, Lebanon, Syria and Sudan, but only two speak Arabic with any fluency.

A similar situation in the United States embassies in the area also affects United States propaganda activities. Two United States Ambassadors speak the language well—Raymond Hare in Cairo, who is now in Washington for consultation, and James S. Moose Jr. in Syria. These, however, are exceptions rather than the rule.

It is agreed generally here that this is a serious problem. Ever since the United States increased its interests in the Middle East by exploiting large oil fields, a more ambitious program of language training has been needed. This problem is now even more urgent as a result of the Eisenhower doctrine.

The information agency's language-training program is far behind schedule. Even before the new policy was announced at the beginning of this month, the agency had places in the Foreign Service Institute for seven new Arabic language students, but only two persons applied.

One former United States Ambassador in a Middle Eastern country, now reassigned here, tells of having only one Arabic-speaking language officer on his staff. That officer was transferred to Latin America shortly after the Ambassador arrived. The letter noted that the Soviet Union had an embassy staff of seven officials in the same capital.

Mr. Larson will be looking into the staff problem for another reason. He has to decide soon whether or not he wants to press Congress for authority to put all present U. S. I. A. officials into a permanent Government propaganda service. A bill to do this was before the Congress last year, but was not passed.

Mr. Larson has to deal also with a lack of adequate advance information from other parts of the Administration about public statements that affect his operation.

For example, his agency did not get advance notice about the Administration's Middle Eastern policy, but was forced to deal with it at the beginning on the basis of unofficial newspaper accounts. Thus, Radio Moscow and Radio Cairo were commenting about the policy before Mr. Larson had any official knowledge of what the policy was.

Larson Honored at Oxford

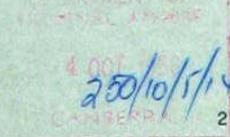
OXFORD, England, Jan. 24 (Reuters)—Mr. Larson accepted today the degrees of Doctor of Civil Law and Bachelor of Civil Law from Oxford University.

He is a one-time Rhodes scholar at Oxford and an active member of the Oxford Union Society. Mr. Larson said the degrees were particularly satisfying because they were "for a work and writing on American civil law done by me in the United States."

Mr. Larson received a Master of Arts degree from Oxford in 1938.

Arriving here earlier today he had luncheon with members of the faculty of his old college, Pembroke. Mr. Larson recently published a two-volume definition of the work on the laws of workmen's compensation.

In reply quote No.



AUSTRALIAN EMBASSY.
WASHINGTON, D.C.

27th September, 1956.

Memorandum No. 1276/56

The Secretary,
Department of External Affairs,
Canberra, A.C.T.

Enclosed herewith is an article published in the Washington Post and Times Herald on Monday, September 24th, by Chalmers M. Roberts, purporting to give the "real facts" surrounding the visit to Cairo in September, 1955, of George Allen, Assistant Secretary, Middle East, immediately after Nasser's announcement of the decision to buy arms from Czechoslovakia. Earlier sketchy newspaper references to this story inclined to identify Byroade with the "American official" mentioned by Nasser in his 26th June statement as having warned him that Allen was the bearer of a strong note which however Nasser should not take seriously. The Roberts' version is, however, rather more complete and circumstantial than other stories have been, and would appear to rate a considerable degree of credence.

2. You will know that Roberts enjoys a very good reputation in newspaper circles in Washington and, in particular, that he is generally acknowledged to have reliable sources of information in the Administration. You will recall, for example, his "inside" account of the National Security Council meeting in Denver of 15th September, 1954, at the time of the offshore islands crisis. That account has never, as far as we know, been officially denied.

3. Also enclosed is an AP despatch conveying "no comment" from the State Department.

*WTS
Maley
WPA
WPA
WPA*
Encs.

R. Maley
Press Attaché

C R

Cairo Faux Pas

How CIA Aide Upset Diplomacy in Egypt

By Chalmers M. Roberts

Staff Reporter

This is the story of the American who tipped off Egyptian President Gamal Abdel Nasser that Assistant Secretary of State George Allen was bringing him a protest note from Secretary John Foster Dulles.

It is also the story of Ambassador to Egypt Henry A. Byrroade—and of the part played by an American newspaper account of the message Allen carried to Nasser protesting Egypt's arms deal with the Communists.

It is a very different tale from the one told by Nasser the day he announced nationalization of the Universal Suez Canal Company, the move which produced the Suez crisis.

The American involved—a Central Intelligence Agency employe—is no longer in Egypt. See POLICY, Page 5, Col. 1

Byrroade has become American Ambassador in South Africa and Allen has become American Ambassador in Greece.

On Sept. 27, 1955, a year ago this Thursday, Nasser announced Egypt would buy arms from Communist Czechoslovakia in exchange for cotton. (Ten months later Nasser admitted he bought the arms "from Russia," adding: "I say from Russia and not from Czechoslovakia.") That same day Dulles had talked in New

York about the arms deal, about which he already knew, with Soviet Foreign Minister V. M. Molotov, but had received no satisfaction.

On Sept. 28, Dulles dispatched Allen on two hours' notice to Egypt, giving him a

Diplomatic Role Taken in Cairo By CIA Aide Is Setback for U.S.

POLICY—From Page 1

Letter pointing out to Nasser the dangers of becoming in

QBS

volved with the Communist bloc. The note reaffirmed the friendly intentions of the United States toward Egypt but made it clear they might be jeopardized by the arms deal. What Dulles wanted to find out—and that is why he sent an Assistant Secretary of State to Cairo—was whether the arms deal could be limited "to a one-shot-operation," as he later publicly told the Senate Foreign Relations Committee.

Report On Allen's Trip

Allen flew out of New York the night of Sept. 28, and on the afternoon of the 29th a wire service account of his trip appeared in Washington and other newspapers. At one point in the story it was stated that Allen "was prepared to warn the Egyptian government that if it (the arms deal) brought about a radical change in the Middle East power balance, the United States would be compelled to review its policies of cooperation with Egypt" on economic aid and "in policies governing world cotton supplies."

By the time this story, or re-written versions of it, reached Cairo it was taken to mean that Allen was carrying an ultimatum to Nasser. At Cairo airport Allen denied to reporters that the United States was going to break relations with Egypt or that America intended to break Egyptian cotton prices by dumping the huge United States cotton surplus on the world market. The Egyptian press was full of talk of American attempts to intimidate Egypt.

Dulles had failed to cable Byroade the purpose of Allen's

visit and Byroade was uneasy about it. The reason was that Byroade a few days earlier had been involved in a nasty, and until now unreported, incident with Nasser himself.

The American Embassy labor attache had had his car stopped in a dark corner of Cairo and he had been beaten up by a gang of Egyptian toughs. A couple of days later, and just before Allen arrived in Cairo, Byroade had attended a dinner where Nasser was present. Byroade had lost his temper and told Nasser in no uncertain terms to call off his rough-necks and to quit tailing American Embassy employees. Nasser grew stone cold, told Byroade that from now on the American Ambassador would deal with him only through the Foreign Minister. Nasser left the room in a huff.

Byroade's Position

Thus when Byroade received a cable without explanation that Allen was coming to Egypt he was uncertain whether it had to do with the arms deal or whether it was to fire him for his row with Nasser.

It was in this atmosphere of ruptured Nasser-Byroade relations and amid reports of an American ultimatum that the Central Intelligence Agency employee took it upon himself to become a diplomat, a step for which he has been reprimanded.

According to Nasser's public account (in his June 26, 1956 speech), "an American official contacted me and sought a special interview. He said that he regretted very much the status of relations between the United States and Egypt. He also said Allen had a strong note from the United States Government which might prejudice Egyptian nationality and prestige. (He said that) I assure you that this note will have no effect because we shall be able to remove its effect; I advise you to

accept this message... He said that no practical outcome would emanate from this message and guaranteed this." Nasser added that he told the American: "If your representative comes to this office and says something unpleasant, I shall throw him out."

Onus on Byroade

Subsequently, the story was printed in American newspapers and magazines that the "American official" was Byroade himself. This was asserted, denied, reasserted and re-denied many times. One account even declared that the words Nasser used in his speech of June 26 were "the American Ambassador" and not "an American official."

The fact is that not Byroade but a CIA employee, a man with a long-time interest in the Arab world, did call on Nasser because he was alarmed over the "ultimatum" talk in the Egyptian press. He undertook to assure Nasser that the Dulles message which Allen was carrying was not, in fact, an ultimatum. In the subsequent investigation of this incident, the CIA man's motives were considered to be entirely outside his jurisdiction, with the result a major disservice to State.

Unaware of the CIA man's actions, Allen and Byroade made an appointment to see Nasser.

On Saturday, Oct. 1, Nasser saw in succession the British and French ambassadors and Byroade and Allen. To the British he complained about the British treatment of Egypt; to the French he complained about refusal to supply Egypt arms.

Nasser Gets No

When Byroade entered Nasser's office, the two men did not speak at first. Then Nasser smiled and the two Americans took this to mean let's forget the incident about the American who was beaten up and the flap over it. Allen thereupon read Nasser the Dulles note.

Nasser's public account of the meeting was that Allen sat still "and didn't open his mouth at all. He sat and listened to the Egyptian point of view..."

The Egyptian point of view, as Nasser actually expounded it, was very cordial. He realized, he said, that the United States was not trying to take over Egypt; he emphasized he had no more intention of be-



International News

Claudia and Cocoa

While waiting to be claimed in a Los Angeles police station, little Claudia Jane Cartwright fills up on cocoa after being found wandering alone along a highway. She didn't have a long wait—her mother soon took her home.

ing Sovietized than of being Americanized; he explained that the Communist arms deal was simply a business transaction (the same explanation later was given by Soviet Premier Nikolai Bulganin in a letter to President Eisenhower). The two-hour meeting ended on a friendly note and as Allen left he denied to newsmen that he had brought an "ultimatum."

This particular tale ends with Allen returning to Washington and Byroade remaining in Cairo to urge, and successfully, that the United States offer to help Egypt finance the Aswan Dam on the Nile River. When Dulles publicly withdrew the aid offer this July, Nasser retaliated by nationalizing the canal company and precipitating the current Suez crisis.

E'S RAILRO

KILL
CIA-EGYPT

WASHINGTON, (AP)--THE STATE DEPARTMENT REFUSED TO COMMENT TODAY ON A REPORT THAT AN AMERICAN CENTRAL INTELLIGENCE AGENT TIPPED OFF THE EGYPTIAN GOVERNMENT LAST JUNE ABOUT A PROTEST FROM SECRETARY DULLES.

CHALMERS M. ROBERTS, WASHINGTON POST AND TIMES HERALD REPORTER, SAID IN A STORY THIS MORNING THAT A CIA EMPLOYEE, WHOM HE DID NOT IDENTIFY, WAS INVOLVED IN THE EPISODE. ROBERTS SAID THE INTELLIGENCE AGENT TALKED WITH EGYPT'S PRESIDENT NASSER IN AN EFFORT TO ASSURE HIM DULLES' PROTEST WAS NOT AN ULTIMATUM. ASSISTANT SECRETARY OF STATE GEORGE ALLEN DELIVERED DULLES' NOTE.

IN REFUSING TO COMMENT ON ROBERTS' DISPATCH, THE STATE DEPARTMENT'S SPOKESMAN, PRESS OFFICER LINCOLN WHITE, SAID ONLY:

"THE DEPARTMENT IS NOT AWARE THAT MR. ALLEN'S MISSION WAS OBSTRUCTED IN ANY WAY."

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250/10/5/14

Copy to PMQAM.
(orig. on 163/11/21)

S.1/5/6

Memo No. 511

13th September, 1956

CONFIDENTIAL

The Secretary,
Department of External Affairs,
CANBERRA.

CONFIDENTIAL

U.S. - Egyptian Relations

In view of the suggestion made at intervals during the past year and raised with added emphasis during the stay of the Committee of Five that Byroade had been unduly influenced by Nasser you may be interested in the statement he made prior to his departure from Cairo.

2. The text is as follows:

"For the past four and a half years I have been intimately associated with the Middle East, first in Washington and more recently in Cairo. During that period I have formed a deep admiration for the people of this area and I am very appreciative of the opportunity that Mrs. Byroade, our children and I have had to know Egypt and the Egyptian people. We shall carry with us always a warm recollection of the friendly hospitality extended to us from every quarter of this land."

"I leave with the regrets of one departing from a second home and with the sincere hope that the people of Egypt and the entire Middle East will follow that path toward peace and security and national and individual progress which must inevitably lead to an expansion of the ties between our peoples."

"Looking back on my experiences here, I am appreciative of the unfailing courtesy and confidence extended to me by the President and other members of the Government. Even when points of view did not coincide, it has always been possible to have full and friendly exploration of views in an atmosphere of mutual respect and good will. The search for that mutual understanding which can lead toward greater emphasis on the positive aspects of the relations between our two nations is a high responsibility."

"I shall go to my new post with pleasant memories of my time here and with the stimulating anticipation that goes with the challenge of a new job."

"It is a source of satisfaction to me that my successor is a friend of Egypt and an old friend of mine, Ambassador Raymond Hare."

"Salam Aleikum - Good-Bye and Good Luck."

3. The view of at least some members of the British Embassy - one which seems not unreasonable - is that present circumstances called for something a little less fulsome. !!!

4. Copy of this memorandum has been sent to London and Washington.

F
(H. D. White).
First Secretary.

19/9

CONFIDENTIAL

CONFIDENTIAL

File 250/10/14

SECRET

File No.

Mr. Tolson
over
us
4/9/51
4/9

EXTERNAL AFFAIRS.

Record of Conversation with **MR. AVERY PETERSON, U.S. CHARGE d'AFFAIRES**

on **3rd September, 1956**

Officers Present: **THE ACTING SECRETARY (MR. PLIMSOLL)**

American
Suez

file

MAIN SUBJECT(S):

SUEZ CANAL

1. Mr. Peterson called and read to me a telegram he had received from Washington giving Mr. Dulles' views on the present situation. The following is a summary.

- (a) At the London Conference, India, Indonesia and Ceylon were not far removed from the U.S. position. They did not go along on the sole consideration that the 18-Power proposal was asking Egypt more than Egypt could give.
- (b) The U.S.S.R. objective at the Conference was to bring about the rejection by Egypt of the 18-Power proposal. The Soviet Union attacked it on the grounds of colonialism and imperialism, but nobody else at the Conference accused Britain or France of that. The Soviet activities at the Conference show more clearly than heretofore their desire to be mischievous in the Middle East. The Soviet was aiming at producing confusion and chaos in the region, and they made no constructive proposal.
- (c) Dulles' appraisal is that, if this plan is fully explained to and understood by Nasser, there is a fair chance of its acceptance, assuming no desire on Nasser's part to use the Canal as an instrument of Egyptian national policy. The plan gives Egypt a number of things: it accepts the principle of nationalization; it recognizes Egyptian sovereignty; and it holds out the promise of increased revenue to Egypt. However, Egypt would have to yield exclusive control in such matters as the hiring of pilots, the selection of officers, determining the pattern of traffic, and also some technical aspects. These would be placed under technical control and would be removed from political influence - U.K. and French as in the past, or Egyptian as at present.
- (d) If Nasser wants to use the Canal for the furtherance of grandiose ambitions in the area, he holds a weapon over not only the West but also over the Asian and Arab countries.
- (e) The Menzies Committee is not empowered to depart from the plan. But the plan is not a rigid one. If Nasser agrees to negotiate, India, Indonesia and Ceylon can be

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Sydney Office.

Sir Philip McBride, Minister for Defence ;

Washington

Report prepared by

(J. Plimsoll)

ACTION:

2969/55.

SECRET

Q (Charles W. Roberts, Newsweek) Mr. President, sir: You have expressed the hope that the Suez settlement could be made in an atmosphere of calm deliberation. Do you regard the French movement of ships and troops into Cyprus as consistent with that aim?

THE PRESIDENT: Well, I am not going to comment on the actions of any other government.

For ourselves, we are determined to exhaust every possible, every feasible method of peaceful settlement, and we believe it can be done, and I am not going to comment on what other people are doing. I am very hopeful that this particular proposal will be accepted but, in any event, not to give up, even if we do run into other obstacles.

Q (Chalmers M. Roberts, Washington Post and Times Herald) Mr. President, in that connection, sir, can you tell us whether, since the Egyptian inter — nationalization of the Canal, you have given any orders to our own military forces in the area in connection with this act?

THE PRESIDENT: Well, I can tell you this: I have done nothing that isn't absolutely consistent with what I have just said. We are committed to a peaceful settlement of this dispute, nothing else.

This is not an official transcript. Under White House rules, the President must not be quoted directly. Therefore, this transcript must be paraphrased before any use is made of it. Verbatim duplication for distribution prohibited.

F
250/10/5/14

Americas

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

250/10/14

No. of Paper U.S. Information Service File No.
Published at Sydney Date 30 August 56

EISENHOWER SAYS 18-NATION SUEZ PLAN MERITS WIDE SUPPORT (410)

WASHINGTON AUG 29 -- PRESIDENT EISENHOWER SAID TODAY THE 18-NATION PLAN FOR INTERNATIONAL OPERATION OF THE SUEZ CANAL WAS "CONCEIVED IN AN ATMOSPHERE OF FRIENDLY CONCILIATION" AND MERITS THE SUPPORT OF ALL WHO "BELIEVE IN THE PROCESSES OF INTERNATIONAL JUSTICE AND CONCILIATION."

MR. EISENHOWER EXPRESSED HIS VIEWS IN A STATEMENT ISSUED FOLLOWING A WHITE HOUSE CONFERENCE WITH SECRETARY OF STATE DULLES, WHO PROPOSED THE PLAN AT THE RECENT LONDON CONFERENCE ON THE SUEZ ISSUE ATTENDED BY 22 NATIONS.

THE PRESIDENT ALSO SAID, "I AM GLAD THAT PRESIDENT NASSER IS PREPARED TO MEET TO DISCUSS THIS PROGRAM."

FOLLOWING IS THE TEXT OF MR. EISENHOWER'S STATEMENT:

"I HAVE JUST RECEIVED FROM SECRETARY DULLES A FULL REPORT UPON THE LONDON SUEZ CONFERENCE. THIS SUPPLEMENTS THE DAILY MESSAGES WHICH I RECEIVED FROM HIM WHILE HE WAS IN LONDON.

AUSTRALIAN EMBASSY.

PARIS

PARIS

256/10/14

Dig. on 162/10/14

File No. 151/3/1

13th August, 1956.

Memo No. 612

The Secretary,
Department of External Affairs,
CANBERRA. A.C.T.

SUEZ CANAL - UNITED STATES ROLE.

In my telegram no. 259 of 9th August I reported a long conversation which I had with the American Ambassador, Mr. Douglas Dillon.

I did not mention that when I went to see Mr. Dillon the United States Secretary for the Navy, Mr. Charles Thomas, was with him. Mr. Thomas was just about to leave for London.

The visit of the Secretary of the Navy passed almost unnoticed in the French press, but two days later the "Figaro" reported that the Chief of the Staff of the Navy, Admiral Nomy, had received Mr. Thomas. M. Escande and Admiral Georges Cabanier (former French Naval Attaché in Washington) of the cabinet of the Ministry for the Navy were present.

I asked the American Naval Attaché about Mr. Thomas's visit which he described as a "holiday" and which had evidently been planned sometime ahead. Mr. Thomas told me that he had just come from Italy where he had unveiled an American memorial at Anzio. He also spoke

/of an.....

AUSTRALIAN EMBASSY
PARIS

- 2 -

of an engagement in the Netherlands about 14th August when he was to meet the American Naval Chaplain in Europe at 'S Gravenhage.

Mr. Thomas's talks with Admiral Nomy, whatever they were, came immediately before Admiral Nomy's departure for London for the Anglo-French staff talks (my telegram no. 257 of 8th August.).

Mr. Thomas also went on from Paris to London.

AMBASSADOR.

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper *The Sydney Morning Herald*
Published at *Sydney*

File No. *250/10/5/14*
Date *11th August 1956*

WHITE HOUSE TALKS CALLED TO PLAN U.S. STAND ON SUEZ

NEW YORK, August 10 (A.A.P.)—President Eisenhower has invited Republican and Democratic leaders of Congress to confer with him at the White House on Sunday on the Suez Canal crisis.

Also at the White House conference will be the Vice-President, Mr. Richard Nixon, and the Chairman of the Joint Chiefs-of-Staff, Admiral Arthur Radford.

American Associated Press says the intention of the conference is apparently to decide how far the United States should go in support of Britain and France.

The agency says the White House meeting will probably discuss a statement of principles which the State Department has sent to countries invited to next Thursday's conference in London.

This statement—similar to one circulated by Britain and France—includes a proposal for the creation of an international authority to run the Suez Canal with complete control over its use, fees, finances and development.

Assurances Of "Free Canal"

American Associated Press says that the State Department document sets out these principles:

1. There should be assurances that the Suez Canal will continue to function in accordance with the principles of the Suez Convention of 1888.

The 1888 pact specified that the Canal "shall always be free and open" in war and peace to the ships of all nations and "shall never be subjected to the right of blockade."

2. The Canal should be operated by an international authority having full control over the fees charged, overall operations, maintenance and development and handling of financial affairs.

3. Egypt should receive a reasonable income from the Canal revenues.

Washington officials believe this should be substantially more than the 10 million dollars (£4,460,000), or less, which Egypt has received annually from the Canal in recent years.

4. The Universal Suez Canal Company, owner and operator of the Canal, whose property the Egyptian President, Colonel Nasser, nationalized two weeks ago, should receive fair compensation for its assets.

22 Nations For Talks

This implies acceptance of the right of Egypt to nationalize Canal properties within its territory, and implies that iron-clad arrangements should be made for ensuring the compensation Colonel Nasser has promised.

5. If Egypt and the Company should disagree on such terms due to start to-day from 11 a.m., a report on the issue should be submitted to

many countries, yet be small soil than was provided for in enough to be workable.

Countries represented could include the United States, Britain, France and Russia, and other nations having a vital interest in the canal's operation, the foremost being Egypt.

Twenty-two nations have now promised to attend the London talks. Only Egypt and Greece have not yet accepted.

Latest Moves In Crisis

Latest developments in the crisis over the canal include—

• Russia has agreed to take part in the talks, but wants them postponed and 22 more countries represented. (See page 3.)

A Soviet 2,250-word statement, delivered to the Western embassies in Moscow yesterday, said Russia did not commit herself to any restrictions or obligations which might damage Egypt's sovereign rights.

Western diplomats predict that Britain will reject Russia's conditions as an attempt to swing the conference away from the Western plan for international control of the canal.

The Reuters correspondent in Moscow says Western observers there believe that Russia will (1) refuse to discuss any scheme for international control of the canal; (2) insist on limiting the discussion to freedom of navigation; and (3) insist on any decision taken being acceptable to Egypt.

Menzies Back In London

• The Australian Prime Minister, Mr. Menzies, arrived in London by air from New York for next week's conference.

He said that if the conference is prolonged he will return to Australia and leave the Minister for External Affairs, Mr. Casey, to represent Australia.

There was a limit to the time he could spend in London, Mr. Menzies added.

• In Cairo last night, President Nasser signed a decree setting up a national "liberation army" which will include youth battalions and volunteers aged from 18 to 50 and about 10,000 members of the National Guard.

The army, with its emblem the star and crossbones, is expected to be an auxiliary to the main Egyptian Army stationed on Egypt's eastern border, facing Israel.

Big Airlift Postponed

• A big airlift of Service personnel due to start to-day from airports in southern England was postponed yesterday with

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5. If Egypt and the Company should disagree on such matters as compensation, the issue should be submitted to Arbitration by a Commission designated by the World Court.

American Associated Press says State Department planners envisage a board or commission which would represent

many countries, yet be small enough to be workable.

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Big Airlift Postponed

• A big airlift of Servicemen, due to start to-day from airports in southern England, was postponed yesterday without official explanation.

London newspapers say that the move was to avoid friction with Libya, who told Britain at the last minute that she was not anxious to have more British troops based on her

soil than was provided for in the 1951 Anglo-Libyan treaty.

The "Daily Mail" says that President Nasser is putting pressure on King Idris of Libya to obstruct British military moves.

- The Egyptian freighter Star of Luxor, which was scheduled to sail for Lebanon with a cargo of British-made arms, left Liverpool last night without them.

Dockers refused last week-end to load the arms, and soon afterwards the British Government banned their loading.

The Foreign Office said to-day that the supplies will be sent by a non-Egyptian ship.

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper News of America File No. 250/10/5/14.
Published at Sydney Date 9/8/56

DULLES HOPES SUEZ CONFERENCE
WILL PROVIDE RESPECTED SOLUTION.

Washington, August 3 -- (USIS) — Secretary of State Dulles today expressed the hope that the forthcoming 24 nation conference on the Suez Canal problem will provide "a solution which all nations, including Egypt, will respect and so that danger of violence will be averted."

On return from talks in London which Thursday resulted in the call for the 24 nation conference August 16, Mr. Dulles said: "I return from two days of intensive talks in London where I have conferred with Prime Minister Eden and with the foreign ministers of France and Britain.

"We dealt with the dangerous Suez situation. A week ago President Nasser of Egypt suddenly and arbitrarily seized the operating facilities of the Suez Canal and said he would turn this vital international waterway into an Egyptian operation designed to promote what he calls the 'grandeur of Egypt.'

"We do not, however, want to meet violence with violence. We want first of all to find out the opinion of the many nations vitally interested because we believe that all of the nations concerned, including Egypt, will respect the sober opinion of the nations which are parties to the Internationalising Treaty of 1888 or, by its terms, entitled to its benefits.

"So a conference of the nations principally concerned has been called to be held in about two weeks to consider this problem. We would hope that out of this will come a solution which all nations, including Egypt, will respect and so that the danger of violence will be averted.

"I plan ^{to} promptly to report fully to President Eisenhower."

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper *News of America*

File No. 250/10/5/14

Published at *Sydney*

Date 9/8/56.

23 U.S. PRESS SAYS FREE TRANSIT
THROUGH SUEZ MUST BE ASSURED.

Washington, August 4 -- (USIS) -- Several newspapers in the U.S. say the basic consideration in the Suez situation is the need to work out some arrangement to assure free transit through the Canal to ships of all nations.

The Washington Post says that "the first requirement of a realistic approach is for the West to keep the issues straight. The question of foremost concern is not the nationalization of the Suez Canal Company, however annoying that may be. The really important issue is a guarantee of unrestricted international transit through the Suez Canal at reasonable toll rates."

The Post adds:

"Egyptian President Nasser has asserted that Egypt will respect the obligation to keep the Canal open to vessels of all nations -- an assurance long since violated in respect to Israeli shipping -- and that she will not change the tolls. If he means what he says, then he ought to have no objection to the sort of international supervision that would acknowledge Egypt's rights and still bind him to his world."

The Christian Science Monitor:

"The Suez Canal as a vital lifeline of countries thousands of miles away, is a product of enterprise wider than any one country, and its control hence cannot be left wholly to one country, possibly to exploit for national purposes."

The Philadelphia Inquirer:

"The partially developed Western plan for a new system of international control of the vital waterway could well be pushed, since Nasser's is seeking to do despite all its suspicions of us and moral preachments toward us."

The Cleveland (Ohio) Plain Dealer:

"Evidence that President Nasser is striking out blindly is obtained from his own declaration that he can finance the Nile Dam with the canal proceeds. The canal does gross \$100 million a year but \$56 million of it goes for operational purposes.

"Were Nasser on firm ground he could have obtained the canal in orderly, legal ways. The concession with the company runs until 1968. Then it reverts to Egypt. If he desired to control it before that date he could have opened negotiations with the company for its transfer. He was successful in the efforts to induce the British to withdraw their troops before the Canal Zone Military Treaty expired. There was no reason to believe . . . that a similar arrangement could not be made on the waterway."

Chicago Daily News:

"If the act had been performed by a government whose good will could be assumed, it would not have been so alarming.

"The fact is that the seizure was coupled with a denunciation of the United States in terms of hatred and enmity. This denunciation was followed a day or two later by even more bitter denunciations of Great Britain and France."

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper *News of America* File No. 250/10/5/14
Published at *Sydney* Date 9/8/56.

initial scheme of sole Egyptian control over it just can't stand up and it is possible -- certainly it is to be hoped, in the interest of world peace -- that he is beginning to realize it."

The New York Herald Tribune:

"Every effort should be made to impress upon the Egyptian people the plain fact that they have more to gain by respect for international law than by defiance.

"The purpose . . . should be to prove that no nation can flout world order with impunity and to restore the canal either to its previous status or, preferably, to the permanent control of an international body."

The New York Times:

"The future of transport through this canal cannot be safely left dependent on the mood of the Egyptian President . . . the canal runs through Egyptian territory, but it is an amenity intended for all the sea commerce of the earth. This is no time for battleships and planes. It is a time for sober and responsible talk."

The Hartford (Conn) Courant:-

"Now instead of referring to the Canal as 'ours', as he did in seizing it last week, Nasser promises continued international use of the canal at the same toll rates.

"This is all to the good. But further action will have to be taken to make it plain that this canal, international since its beginning, is not President Nasser's private plaything."

What is needed in Egypt, according to the Courant, is "to channel nationalistic impulses into an orderly, democratic process, as India is seeking to do despite all its suspicions of us and moral preachments toward us."

The Cleveland (Ohio) Plain Dealer:

"Evidence that President Nasser is striking out blindly is obtained from his own declaration that he can finance the Nile Dam with the canal proceeds. The canal does gross \$100 million a year but \$56 million of it goes for operational purposes.

"Were Nasser on firm ground he could have obtained the canal in orderly, legal ways. The concession with the company runs until 1968. Then it reverts to Egypt. If he desired to control it before that date he could have opened negotiations with the company for its transfer. He was successful in the efforts to induce the British to withdraw their troops before the Canal Zone Military Treaty expired. There was no reason to believe . . . that a similar arrangement could not be made on the waterway."

Chicago Daily News:

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"The fact is that the seizure was coupled with a denunciation of the United States in terms of hatred and enmity. This denunciation was followed a day or two later by even more bitter denunciations of Great Britain and France."

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Line of Paper Mr. A. Information Service File No. 258/10/5/14
Published at Sy Date 2nd August

U.S. PRESS SAYS FREE TRANSIT THROUGH SUEZ MUST BE ASSURED (630)

UNDATED -- SEVERAL NEWSPAPERS IN THE U.S. SAY THE BASIC CONSIDERATION IN THE SUEZ SITUATION IS THE NEED TO WORK OUT SOME ARRANGEMENT TO ASSURE FREE TRANSIT THROUGH THE CANAL TO SHIPS OF ALL NATIONS.

THE WASHINGTON POST SAYS THAT "THE FIRST REQUIREMENT OF A REALISTIC APPROACH IS FOR THE WEST TO KEEP THE ISSUES STRAIGHT. THE QUESTION OF FOREMOST CONCERN IS NOT THE NATIONALIZATION OF THE SUEZ CANAL COMPANY, HOWEVER ANNOYING THAT MAY BE. THE REALLY IMPORTANT ISSUE IS A GUARANTEE OF UNRESTRICTED INTERNATIONAL TRANSIT THROUGH THE SUEZ CANAL AT REASONABLE TOLL RATES."

THE POST ADDS:

"EGYPTIAN PRESIDENT NASSER" HAS ASSERTED THAT EGYPT WILL RESPECT THE OBLIGATION TO KEEP THE CANAL OPEN TO VESSELS OF ALL NATIONS -- AN ASSURANCE LONG SINCE VIOLATED IN RESPECT TO ISRAELI SHIPPING -- AND THAT SHE WILL NOT CHANGE THE TOLLS. IF HE MEANS WHAT HE SAYS, THEN HE OUGHT TO HAVE NO OBJECTION TO THE SORT OF INTERNATIONAL SUPERVISION THAT WOULD ACKNOWLEDGE EGYPT'S RIGHTS AND STILL BIND HIM TO HIS WORD."

THE CHRISTIAN SCIENCE MONITOR:

"THE SUEZ CANAL IS A VITAL LIFELINE OF COUNTRIES THOUSANDS OF MILES AWAY, IS A PRODUCT OF ENTERPRISE WIDER THAN ANY ONE COUNTRY, AND ITS CONTROL HENCE CANNOT

TALK."

THE HARTFORD (CONN.) COURANT:

"NOW INSTEAD OF REGARDING THE CANAL AS 'OURS', AS HE DID IN SEIZING IT LAST WEEK, HARDER PENSIDE CONTINUED INTERNATIONAL USE OF THE CANAL AT THE SAME TOLL. 6.25%."

"THIS IS ALL TO THE GOOD, BUT FURTHER ACTION WILL HAVE TO BE TAKEN TO MAKE IT PLAIN THAT THIS CANAL, INTERNATIONAL SINCE ITS BEGINNING, IS NOT

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper M. I. Information Service File No 258/10/5/14.
Published at Sydney Date 2nd August 77.

BE LEFT WHOLLY TO ONE COUNTRY. POSSIBLY TO EXPLOIT FOR NATIONAL

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper ABC news File No 255/2/1.
Published at Sydney Date 8th August '80.

An armed revolt broke out in Ecuador yesterday against the government of President Jose Ibara (?) and the Conservative President-elect. The military garrison in the city of Portoviejo rose up in arms under the command of Lieut-Col d'Avila. Rebel radio broadcasts claimed that the insurgents were in control of the Pacific port of Manta, 22 miles from Portoviejo. Manta, a city of 20,000, is 105 miles from Ecuador's chief seaport of Guayaquil. President Ibara has mobilized all loyal armed forces and has announced that he will use every means to crush the uprising. He described the insurgents as a small and insignificant group of traitors, bent on overthrowing the Constitution.

TO PROVE THAT NO NATION CAN GO ON FOREVER IN A STATE OF WAR WITH AN ENEMY AND TO RESTORE THE CANAL EITHER TO EGYPT OR TO THE UNITED STATES, IT IS NECESSARY TO MAKE PREPARATIONS TO THE PERMANENT CONTROL OF ALL THE CANALS.

THE NEW YORK TIMES:

"THE PEOPLE WHO TRANSPORT CARGOES BY CANAL CANNOT BE SAFELY DEPENDENT ON THE WORD OF THAT EGYPTIAN PRESIDENT. . . .THE CANAL PASSES THROUGH EGYPTIAN TERRITORY, BUT IT IS AN AMENITY INTENDED FOR ALL. THE COERCE SEA COMMERCE OF THE WORLD. THIS IS NO TIME FOR BATTLESHIPS AND PLANES. IT IS A TIME FOR SOBER AND RESPONSIBLE TALK."

THE HARTFORD (CONN.) COURANT:

"YOU WANTED TO REPREHEND US FOR CANAL AS 'OURS', AS HE DID IN 1847. IN HIS VIEW, HARBOUR AVAILABILITY CONTINUED INTERNATIONAL USE OF THE CANAL AT THE SAME TIME AS FREE."

"THIS IS NOT TO THE GOOD. BUT FURTHER ACTION WILL HAVE TO BE TAKEN TO ENSURE IT. THE CANAL, INTERNATIONAL SINCE ITS BEGINNING, IS NOT

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Line of Paper M. A. Information Service File No 258/10/5/14.
Published at Sydney Date 2nd August

BE LEFT WHOLLY TO ONE COUNTRY, POSSIBLY TO EXPLOIT FOR NATIONAL PURPOSES."

THE PHILADELPHIA INQUIRER:

"THE PARTIALLY DEVELOPED WESTERN PLAN FOR A NEW SYSTEM OF INTERNATIONAL CONTROL OF THE VITAL WATERWAY COULD WELL BE PUSHED, SINCE NASSER'S INITIAL SCHEME OF SOLE EGYPTIAN CONTROL OVER IT JUST CAN'T STAND UP AND IT IS POSSIBLE -- CERTAINLY IT IS TO BE HOPED, IN THE INTEREST OF WORLD PEACE -- THAT HE IS BEGINNING TO REALIZE IT."

THE NEW YORK HERALD TRIBUNE:

"EVERY EFFORT SHOULD BE MADE TO IMPRESS UPON THE EGYPTIAN PEOPLE THE PLAIN FACT THAT THEY HAVE MORE TO GAIN BY RESPECT FOR INTERNATIONAL LAW THAN BY DEFIANCE.

"THE PURPOSE. . .SHOULD BE TO PROVE THAT NO NATION CAN FLOUT WORLD ORDER WITH IMPUNITY AND TO RESTORE THE CANAL EITHER TO ITS PREVIOUS STATUS OR, PREFERABLY, TO THE PERMANENT CONTROL OF AN INTERNATIONAL BODY."

THE NEW YORK TIMES:

"THE FUTURE OF TRANSPORT THROUGH THIS CANAL CANNOT BE SAFELY LEFT DEPENDENT ON THE MOOD OF THE EGYPTIAN PRESIDENT. . .THE CANAL RUNS THROUGH EGYPTIAN TERRITORY, BUT IT IS AN AMENITY INTENDED FOR ALL THE GOING SEA COMMERCE OF THE EARTH. THIS IS NO TIME FOR BATTLESHIPS AND PLANES. IT IS A TIME FOR SOBER AND RESPONSIBLE TALK."

THE HARTFORD (CONN) COURANT:-

"NOW INSTEAD OF REFERRING TO THE CANAL AS 'OURS', AS HE DID IN SEIZING IT LAST WEEK, NASSER PROMISES CONTINUED INTERNATIONAL USE OF THE CANAL AT THE SAME TOLL RATES.

"THIS IS ALL TO THE GOOD. BUT FURTHER ACTION WILL HAVE TO BE TAKEN TO MAKE IT PLAIN THAT THIS CANAL, INTERNATIONAL SINCE ITS BEGINNING, IS NOT

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper *The Canberra Times*.

File No 250/10/5/14.

Published at *Canberra*.

Date *7 August 1952*

U.S. Aid Still

Egypt's seizure of the Suez Canal would not result in any automatic halt in U.S. aid to Egypt, Foreign Aid administrator John Hollister said last night.

The statement tied in with reports that the Eisenhower Administration is withholding any harsh actions against Egypt in hopes of promoting a compromise on the explosive Suez issue.

Name of Paper *The Times*
 Published at *London*

File No. *250/10/5/14*
 Date *31st July 1956*

ASWAN OFFER WITHDRAWN

BRITISH DECISION

GROWING DOUBT ON CAIRO ECONOMY

CONSULTATIONS WITH U.S.

From Our Diplomatic Correspondent

The British Government yesterday withdrew their offer to Egypt of assistance in meeting the cost of the proposed High Dam at Aswan. A Foreign Office spokesman said: "We have concluded that in present circumstances it would not be feasible to participate in the project."

After the announcement on Thursday of the United States Government's decision to withdraw its offer, the British decision was expected. It has been made for the same reasons. The United States Government had offered a grant of about \$55m. and the British a grant of about \$15m. towards the foreign exchange costs of the first stage of construction.

AMBITIOUS PROGRAMME

Since the offers were made and an agreement with the World Bank worked out in February for a further loan of \$200m., doubts have been growing on the capacity of the Egyptian economy to stand its share of the cost. The Egyptian Government has been evidently anxious to press on at the same time with an ambitious programme of industrialization, which must eat into its foreign exchange reserves and leave it with an unsatisfactory balance of payments. Moreover, the recent deal by which Communist arms are exchanged for Egyptian cotton, means that much of the cotton crop, which is the country's most important export, is no longer available as a source of foreign exchange.

The decision has thus been taken on economic grounds, after consultation between the British and United States Governments. Presumably the World Bank offer will now also be withdrawn.

Abdul Fetooh, the Egyptian Ambassador, was asked to call at the Foreign Office yesterday and was informed of the decision by Sir Harold Caccia, acting Permanent Under-Secretary.

There have been reports that the Soviet Government is prepared to finance the project. Possibly this will be discussed when Colonel Nasser pays his forthcoming visit to Moscow. It seems clear, however, that at the time Mr. Shepilov, the Soviet Foreign Minister, visited Cairo recently, his Government was unwilling to undertake so vast a commitment on its own.

250/10/5114
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DEPARTMENT OF EXTERNAL AFFAIRS.

ABK:SHA

INWARD CABLEGRAM

1.10525/

Dated: 8th August, 1956.
2027
FROM: Recd.: 9th August, 1956.
1550

Australian Embassy,
WASHINGTON.

803.

SECRET.

Repeated London 78.

Suez Canal.

The United Kingdom Embassy advises that the Indian Ambassador in Cairo told the United Kingdom Ambassador on 7th August that India had been urging Nasser to accept invitation to the conference and that the Indians were working for an Egyptian reply on the following lines:

- (a) In the interest of "international confidence" Egypt to agree to attend a conference in London on 16th August sponsored by the United Kingdom and Egypt to discuss matters arising out of nationalisation of the Canal.
- (b) Egypt to ask for a wider group of invitees to be settled immediately by diplomatic negotiation.
- (c) Egypt to reserve its position on questions of substance to be raised at conference avoiding any statement regarding proposed International Authority.

Egyptians were at that time still considering the matter. If Egypt decided on "position (rejecting invitation) the Indians would seek to delay reply until Nehru had time to give personal opinion on the matter to Nasser. The Egyptians agreed that, barring unforeseen developments, no publicity would be given to the Egyptian reply until United Kingdom had opportunity to respond. Nasser also told the Indian Ambassador the idea of reference to Security Council had been dropped and there was no present intention of referring it to the General Assembly.

2. The Indian Ambassador's version appears partially confirmed by Nehru's reported statement today when announcing Indian acceptance of the invitation that Egypt "could not and would not" attend the conference as an "invitee".

3. The United Kingdom Embassy advises that Shepilov in conversation on 7th August with the United Kingdom Ambassador strongly criticised the list of invitees to the conference demanding why maritime countries such as China, Poland, East Germany, etc., were not invited; why successors of Austro-Hungarian empire were not invited and why signatories of the 1888 Convention were not consulted before the conference was called. The United Kingdom Embassy also says a number of other countries, including Panama and Liberia, have objected to the list.

4. Despite this, the Embassy says the United Kingdom has no present intention of widening the conference (which would

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DEPARTMENT OF EXTERNAL AFFAIRS.

INWARD CABLEGRAM

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- 2 -

lead to a rush of claims to attend) nor of shifting the venue from London or postponing the conference. The United Kingdom Ambassador in Cairo told the Indian Ambassador furthermore, that the United Kingdom remained firm on International Authority for the Canal.

5. Wilkins, State Department, told us today the latest United States information was that Nasser had not decided on either the question of acceptance of the invitation or of possible reference of the matter to the United Nations, both of which they were "mulling over". (We did not mention our information from the United Kingdom Embassy on the latter). Byroade last saw Nasser on 3rd August (at the latter's request). Byroade gave three-power proposals (we understood by oral presentation) to Fawzi on 7th August taking this course because he felt there was no possibility of Egyptian acceptance of proposals and he wished to avoid flat rejection by Nasser. Fawzi would not discuss substance of proposals on ground that the decision on Egyptian attendance had not yet been made. Fawzi criticised the whole approach of the Three Powers to the matter as 'dominating'. Wilkins said he had impression the Indians were trying to persuade Egypt to attend the Conference, but there had been no United States-Indian consultations on the matter. Personally he considers Egypt will probably accept, with perhaps some proposals for modifying the invitation.

6. Regarding proposals themselves, Wilkins said United States did not regard them as affecting Nationalisation of Suez Canal Company. United States did not question Egyptian right to nationalise the Company but merely its right to take over the Company's International functions. (Wilkin's own interpretation of proposals was that newly nationalised Company having taken over from the Suez Company would be replaced by proposed International Authority). Three Power proposals were broad concepts, details of which would have to be worked out by the London Conference. Wilkins said that the United States was thinking hard on difficult problem of what to do if Egypt rejected Conference or International authority but had not come up with any decision.

7. Other points made by Wilkins were:-

- (a) United States did not favour extension of list of invitees.
- (b) His general impression was that Russians would accept invitation despite criticism of composition of Conference, Venu, etc. (which Ø) repeated to Bohlen 7th August.
- (c) It seemed highly unlikely Israel would seize opportunity to attack Egypt.

8. : : : reports here (which are voluminous) generally see Lessening of immediate tension and reduction of likelihood of use of force by United Kingdom and France (particularly following Foreign Office statement reported today). French are reported to doubt possibility of obtaining over-whelming support at London Conference which would justify military measures and

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DEPARTMENT OF EXTERNAL AFFAIRS.

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I.10525/30

CABLEGRAM.

United Kingdom is regarded as seeking to allay fears of certain invitees and other nations that it would resort to force if Nasser refuses to accept internationalism... Eisenhower in Press Conference today said he could not conceive of military force being 'a good solution' to Canal problem and that 'a little sober second thinking is probably going on in a good many quarters'. Press continues to feature moderating influence sought by United States in dispute and to speculate on possible compromise solutions United States might support, including plan to start with simple revision of 1888 convention to extend its scope and make its provisions self-executing. Several commentators have criticised Dulles for failure to devise any alternative action if London conference should fail.

MIN. & DEPT. E.A.
MIN. & DEPT. DEFENCE.
P.M'S.

9th August, 1956.

SRC /Ss L&T (Div 5) UN ER CR PAC&AM
AN&GP S&SEA SA EAF&ME E AF&ME INF DL MT
C&P

G.

SECRET

250/10/5/14
CONFIDENTIAL*250/10/14***OUTWARD CABLEGRAM.**

BH

10755

Sent: 8th August, 1956.
1755.

TO:

Australian Embassy,
WASHINGTON.625. CONFIDENTIALSuez Canal.

Following is summary of telegrams (excluding those repeated to you) received during past 24 hours.

Colombo.

Prime Minister said publicly on 6th August that neither the right to nationalise nor need for satisfactory guarantees for international use could be disputed, but it might be possible to reconcile both without insistence on international control which would make solution hardly possible without resort to force.

Wellington.

Minister for External Affairs will attend Conference.

London Conference.

Netherlands has accepted invitation (Japanese Embassy inform us that Japan has accepted)

PARIS.

United States decision authorising American ships to pay dues is condemned by the French press as the first break in tripartite front and at least premature to pending outcome of London Conference.

MIN. & DEPT. E.A.
P.M'S.

9th August, 1956.

SEC A/Ss UN ER PAC&AM AM&SP S&SEA SA EAF&ME E
AF&ME INF DL C&P MT G.**CONFIDENTIAL**

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SECRET

DEPARTMENT OF EXTERNAL AFFAIRS.

CABLEGRAM 10331.

Dated: 6th August, 1956.
1920.
FROM: Rec'd: 7th August, 1956.
0830.

Australian Embassy,
TOKYO.

251. SECRET AND GUARD.

Suez Canal.

This afternoon I saw Allison and (in Dening's temporary absence) Harpham British Minister. Conversations covered many matters which you no doubt know, but the following points may be of interest.

2. While the United Kingdom presented invitation to Japan by agreement between three London Powers, America has been assigned the "carriage" in Japan. I have seen the text of a personal message from Dulles to Hatoyama strongly pressing Japan to accept the invitation and containing warning regarding delicacy of the situation. In addition, the Americans, on instructions have shown the Japanese Foreign Office a lot of certain broad principles apparently agreed between United States, France and United Kingdom, drafted for tabling in resolution at the Conference. The British Embassy has also shown me these principles which were telegraphed to United Kingdom's High Commissioner, Canberra and which I assume you have seen.

3. Contrary to press reports, Japan has not yet accepted the invitation. The matter will be discussed at Cabinet Meeting tomorrow, 7th August. Meanwhile Kadokawa has expressed a personal opinion to the Americans that Japan will accept. Kadokawa has told Harpham that in his opinion, appointment of Takasako or other Cabinet Minister as Japanese Representative at the Conference, if Japan accepts the invitation, is unlikely "in the present state of internal politics in Japan". He felt Nishi was more likely Representative.

Watt.

MIN. & DEPT. E.A.
MIN. & DEPT. DEFENCE.
TREASURER & TREASURY.
A/MIN. & DEPT. TRADE (C)
MIN. & DEPT. S&T.
P.M.'S.

7th August, 1956.

SEC A/Ss L&T(DIV.5) UN ER CR PAC&AM EA AM&SP S&SEA SA
D/AP&IE E AF&ME INF DL MT C&P.
G.

SECRET

250/10/5/14

CONFIDENTIAL**INWARD SAVINGRAM.**

I.10302/3/4/5/6

OA/BH

Sent: 30th July, 1956.

2330.

Rec'd: 6th August, 1956.

1145.

FROM:

Australian Embassy,
WASHINGTON.(This savingram is being circulated
within the Dept. of External Affairs
only. No copy or extract may be
made from it)

Sav. 253.

CONFIDENTIAL

United Kingdom Embassy political summary for the
week ended 27th July. 550 Saving United Kingdom Embassy to
the F.O.

The President, Mr. Eisenhower returned from Panama
on July 24th. While there he reportedly said.... "I feel fine.
I haven't much strength but I keep going on". A remark which
many commentators have found difficult to reconcile with
Mr. Nixon's assertions that the journey had "acted like a
tonic" on the President.

The Presidential Campaign. But any speculation about
his state of health was overtaken by interest in a "political
bombshell" thrown by Mr. Stassen, the "Secretary for Peace".
Mr. Stassen said on July 23rd that he would support Mr. Herter
governor of Massachusetts, for the republican vice-presidential
nomination explaining that "an Eisenhower - Herter ticket will
run at least 6 percent stronger than an Eisenhower - Nixon ticket".
He supported his arguments by a reference to a number of private
polls but has not yet revealed how these were conducted.
Mr. Leonard Hall, Chairman, of the Republican National Committee
reacted at once by announcing that Mr. Herter had agreed to
nominate Mr. Nixon at the Republican National Convention. Mean-
while no leading republican has come out in support of
Mr. Stassen. Even so, he says he will continue to oppose
Mr. Nixon unless the President gives a clear indication of yesterdays
preference for his candidacy which the President has not so
far done. After Mr. Stassen's original announcement was made
the White House Press Secretary announced when Mr. Stassen
had warned the President of his intentions Mr. Eisenhower
had said that "while he had every right as an individual to
make any statement he so desired it was also equally obvious
that he could not make such a statement as a member of the
President's Official family". Mr. Stassen was careful to
prepare his announcement with a statement that "I, of course,
do not take this action as a personal representative of the
President. He has taken no notice of suggestions from various
republicans that he should resign from his post as advisor to
the President. He has stressed that although the President
has declared Mr. Nixon to be acceptable to him he has never
said that other republicans are not equally acceptable.

3. The judgement of the more reliable commentators is
that "the groundswell Mr. Stassen expected has not developed
and unless general Eisenhower is moved personally by his
arguments, which nobody expects, the feeling here is that
Mr. Nixon is a certainty" (Reston, "New York Times").
Commentators are universally puzzled by Mr. Stassen's obvious
lack of preparation and by his timing. "Why did he do it now
and not right after Mr. Eisenhower's second illness." There
is some feeling that the incident will ensure that proper

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DEPARTMENT OF EXTERNAL AFFAIRS

I.10302/3/4/5/6

INWARD SAVINGRAM.

consideration is given to the choice of a vice-presidential candidate. "Stassen deserves credit for not just letting Nixon drift into the Vice-Presidency again unopposed. It was passed time for someone to speak up and show some political courage '(Milwaukee Journal)'. The Democrats of course are delighted at these republican contortions.

4. Congress. Congress adjourned on July 27th after the usual last minute legislative sprint. During the week Congress sent to the White House the balance of the Appropriations Bills including the Mutual Security Appropriations Bill and several Domestic bills. Mr. Eisenhower's Civil rights Bill which had been passed in the house by a vote of 270 to 126, was prevented by southern democrats, who made skilful use of every procedural device open to them from emerging from the Senate Judiciary Committee on to the floor of the Senate and so went by default.

5. Mutual Security Legislation. On July 24th the Senate approved a 4,111 million dollar Mutual Security Appropriations Bill. The Bill included a provision tagged on by Senator Knowland and other right wing Republicans that the President should give Yugoslavia no new military aid except for spare parts and replacements. This restriction will not interfere with the 100 million dollars worth of military assistance already 'in the pipeline' for Yugoslavia and is regarded as an election manoeuvre since the administration had apparently not planned any further military aid. A Senate House Conference then split the difference between the Bills passed by the two bodies and proposed a 3,766 million dollar bill which retains the rider on Yugoslavia. The Senate and House approved and the Bill has gone to Mr. Eisenhower for signature. The President has thus secured three-quarters of the amount he first asked for (4,900 million dollars). Several influential commentators have reviewed the outcome. In the view of the Allsop brothers the 'revolt' against the Eisenhower programme although it has been partially quelled has been very real and very bitter....and should at least serve as a warning to the next administration not to serve up its programmes to Congress like warmed over stew in a cheap boarding house! Others like Reston (*New York Times*) thought that 'the surprising thing is that the administration has got as much money as it has, for in a surprising number of cases the members of Congress will tell you that they went along merely because they were asked or because they were doubtful, but not because they were convinced'. Several newspapers believe that there has been a change in the public attitude towards the conduct of the United States Foreign Policy in general and towards Mutual Security Programmes in particular. The reactionary weekly, "United States News and World Report put the point a little more strongly than most in its editorial....'There is a feeling in the air that maybe an era is coming to an end in the United States relations with the outside world....that something basic is happening....what is signalled is this developing attitude.... If other nations want to be friends of this country that's fine....but if nations prefer to line up with Soviet Russia that's too bad. American taxpayers cannot be expected in that event to sacrifice so Russia's friends can have the good things of life.'

CONFIDENTIAL

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DEPARTMENT OF EXTERNAL AFFAIRS.

INWARD SAVINGRAM

502/3/4/5/6

6. Egypt. Until the Egyptian seizure of the Suez Canal comment on the administration's decision not to help finance the Aswan Dam continue to be generally favourable especially as commentators came to believe that 'despite some double talk by the Soviet Ambassador in Cairo, Moscow....has made no offer to build the big dam and has no immediate intention of making one. ("Philadelphia Enquirer"). But some commentators continued to be troubled....' There is no doubt that the decision has been popular with American Public opinion... but where we all go from here is not clear at all. Colonel Nasser's 'tirade' against the United States, his speech of July 24th, was dismissed as an 'outburst' deserving only calm contempt' (Philadelphia Enquirer). It was widely thought to show his concern 'lest a failure to build the Aswan Dam undermine his popularity both among Egyptians and the Arabs at large"(Ellis-Christian Science Monitor)".

7. Egypt's 'nationalisation' of the Suez Canal took public opinion completely by surprise. It has been described as an 'act of banditry' and a 'flagrant violation of contract and is widely regarded as final confirmation that Colonel Nasser 'is just another nationalist fire brand and not to be trusted" (Baltimore Sun)". The act of nationalisation is generally regarded as of less importance than the policy which the Egyptian Government will pursue now that it has seized control. "The key question is whether the nationalisation will in any way effect freedom of transit" (Washington Post") The premature seizure and the way it was done together with the already effective closure of the Canal to Israeli shipping were taken as pointers that it would. Reports of counter action under consideration by the British and French Governments have been prominently published. Opinions are divided on the extent to which the United States should intervene. The administration has not yet given a clear lead. The only official statement made on its behalf which was issued by the State Department on July 27th said that the seizure of the Canal carries far reaching implications. It affects the nations whose economies depend upon products which move through this international waterway. The United States Government is consulting urgently with other Governments concerned.' Several internationalist newspapers however, take a line similar to that of the New York Herald Tribune. 'it is not to the free world's interest that Egypt be allowed to flout private contracts and international agreements. ..In the consultations which Great Britain, France and the United States are holding the central theme should be that the free world, the world of law, is not powerless in the face of a plain act of economic aggression but some have made a proviso about the use of force. Nasser's bluff will have to be called - not by force but by reason economic and law"(New York Times)". Two democratic members of the Senate Foreign Relations Committee, senators More and Fulbright, have made statements recognising that United States interests are involved, but Senator Wiles (Republican) more cautiously said 'we must trust to the common sense and judgement of the leaders of England, Egypt and France'. Meanwhile the "Chicago Daily Tribune" taking a line which may well prove representative of the isolationist Press said that 'Fortunately for the United States there is nothing that we need do about it. It is Western Europe that is endangered and Western Europe has all the means that may be required to persuade Nasser to reconsider' the seizure has occasioned some second thoughts about the Aswan decision. 'The episode casts serious doubt on the wisdom of Mr. Dulles gamble particularly on the manner

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INWARD SAVINGGRAM

TUE/3/4/5/6

in which the challenge was thrown down '(Washington Post)'

8. United Kingdom. The Prime Minister's speech of July 23rd in the House of Commons was fully reported in the responsible press. Many correspondents viewed it as 'a major shift in British policy in which Eden offered to bargain with Russia on the limitation of Hydrogen Bomb Tests (Collingwood C.B.S.) Editorial comment has been sparse, but unfavourable. Some quasi-responsible newspapers went so far as to say that 'The change in British policy aligns London at least in part with the position already taken not only by Russia's policy makers but also by India and a number of other countries ('Boston Globe') 'The British Government's policy toward Russia is getting softer. The debate was disturbing because Mr. Eden accepted the Soviet's phony 'new look' with such naive optimism' (Denny-Scripps Howard Press') Other newspapers emphasised and found gratifying the Prime Minister's assurance that 'radical labor demands to the contrary notwithstanding Britain remains firmly aligned with the United States and the Western world' (New York Times').

9. The Conference of American Presidents. The Conference of American Presidents at Panama was regarded as a mild success. The Presidents' declaration was not thought to mean very much. The commitment 'to create a civilization that will give tangible meaning to the concept of human liberty' is thought to be 'a more noble sentiment than some Latin-American regimes seem able to carry out in practice'.. Mr. Eisenhowers proposal of a Committee to make recommendations 'for making our organisation of American States a more effective instrument in those fields of cooperative effort. affect the welfare of our peoples' was more kindly received. 'nothing spectacular or concrete has been accomplished...but hemispheric good neighbourliness has been reaffirmed and strengthened and new emphasis has been on cooperation of a kind that could do much to promote important advances ('Washington Star'). The new Committee emphasises that the concern of the former colossus of the north is real and thoughtful and far reaching '(New York Times)'.

10. Steel Strike. After three weeks of rather unreal negotiations the two sides of the steel industry got down to a settlement of the strike which began on July 1. The new contract will run for three years with a no strike clause, because annual wage increases are provided. These will give the steelworker about 10 cents an hour extra each year and other provisions will cost the employers another 10 cents an hour immediately and a further 6 cents an hour later. Cost of living adjustments will also be made every six months. Prices are expected to rise about 10 dollars a ton from the present average of 130 dollars a ton.

MIN. & DEPT. E.A.

7th August, 1956.

SEC A/Ss UN ER PAC&AM EA AM&SP S&SEA SA SEA
E.AF&ME E AF&ME INF DL MT C&P

CONFIDENTIAL

2507105114
RESTRICTED**INWARD CABLEGRAM**

MB:ABK.

I. 10284.

Dated: 4th August, 1956.
1458.
FROM: Rec'd: 5th August, 1956.
1045.Australian Embassy,
WASHINGTON.

765. RESTRICTED.

For Trade.

Your 599.

State Department believe there are no outstanding shipments of wheat to Egypt under PL480 or other disposals programmes and no new concessional transactions contemplated at the present. There are no restrictions on commercial wheat sales to Egypt.

A/MIN. & DEPT. TRADE (CANB.)
MIN. & DEPT. PRIM. IND.
MIN. & DEPT. E.A.
TREASURER & TREASURY.
P.M.'S.

5th August, 1956.

SEC A/Ss UN ER PAC&AM AM&SP S&SEA SA E AF&ME E AF&ME INF
DL MT.

RESTRICTED

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper *The Times*
Published at New York

File No. 250/10/5/14
Date 4th August '56

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inquiry' * an
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can exception to a regis speech rested—
talkin took the obliga
national security."

The determining factor in the President's decision in the Swiss watch case was a report prepared for him by the Office of Defense Mobilization which upheld the relief plea of the American industry on the grounds that its special skills were important in constructing the weapons of modern warfare. Though this fact was generally understood, it was evident that there were a great many Americans who could not accept the implication that the way to make an industry strong is to eliminate its competition.

It is now reported that there are more applications for relief on grounds of "essentiality" than because the applicants claim to be injured by specific tariff concessions.

Under a Presidential directive issued at the time of the Swiss watch decision it is required that in a case where relief has been granted under Section 7 of the Trade Agreements Act the Tariff Commission must report back to the President every two years as to whether there has been any change in the situation justifying a review of the original findings. Some had been optimistic enough to hope that when the first of these biennial reviews came through it would propose a discontinuance of the 1954 watch tariffs. That hope largely went up in smoke recently when the commission's report was filed. It expressed the belief that the 1954 tariff increases should not be reviewed at this time.

Meanwhile, as if to throw all these developments and possible future developments into a somewhat stronger light, comes the finding of a subcommittee of the Joint Economic Committee of Congress, headed by Representative Richard Bolling of Missouri.

The thirty-five-page Bolling committee report is specific and unequivocal. "Protection of the watch industry by trade restrictions in the name of national defense," it declared, "is unwarranted, because, first, it will not be effective in preserving the domestic industry, and, second, it represents an undue burden on other industries as well as consumers. The burden on other industries and on the free world will detract from

Ezeazar de Carvalho n
After 5-Year Absen
Ballet Music Featu

By ROSS PARMENT

Special to The New York Tim
LENOX, Mass., Aug. 4—Ezeazar de Carvalho, young
familiar conductor who was a figure at Tang
in the days of Serge
sevitzky, tonight conducted his first Berkshire Festival
in five years. He had wi
as piano soloist his 21-year-old wife, Jocy de Oliveira, who
her North American debut during Ravel's piano concer

The rest of the program
isted of ballet music. It
with "La Kermesse," the
movement of a ballet
same name by Henry Es
The other works were
dances from Falla's "The
Cornered Hat" and Stravi
"Petrushka."

Senhorita de Oliveira
comely young lady with
brown hair, who looked
young goddess in an off-the-shoulder red dress. She
to be a sensitive performer
a musical and agreeable
But she was hardly equal
particular concerto she pla

In the first movement
slow, blueslike passages
pleasant poignancy, and he
treble playing in the latte
of the second movement so
prettily above the rather
orchestral scoring. But Sen
de Oliveira did not have e
depth for the deceptively s
long piano solo that opens
slow movement. And she is
far more clarity of articul
and cold, flashing brilliant
the more striking parts
first and last movements.

Senhor de Carvalho's a
paniment was exceptionally
siderate, but even so there
moments when the pianist
hardly be heard.

When "La Kermesse" of
one looked at one's program
incredulity. Had they st

REV. DR. JAMES GILLE

Special to The New York Times

WHITE PLAINS, Aug. 4—The Rev. Dr. James P. Gillespie of 36 Soundview C
this city, a retired executive
the National Board of Missions of the Presbyterian Church
New York, died yesterday after a brief
heart attack at Greer, Mass. He was 80 years old.

Mr. [] Yellowstone Command" is Ralph Pierson, who served for many years as a ranger in that vast region. The period covered in the book is from 1880 to 1919. Windham, Conn.

A compendium of thoughts by people about Jews will be published Aug. 22 by Crown. Called "A Treasury of Jewish Quotations," the volume contains 18,000 quotations (many of which are published in English for the first time) on 1,000 subjects. The book spans 2,500 years of Jewish history and literature. The compiler is Rabbi Joseph L. Baron, whose previous books include "Sand and Stars" and "In Quest of Integrity."

An American edition of "The Bible as History: A Confirmation" by Cor

CHARLES A. GINGELL

Special to The New York Times

FLEMINGTON, N. J., Aug. 3—Charles Alexander Gingell, New York representative of Barclay's Bank, Ltd., of London, died at the Hunterdon Medical Center here today after a brief illness. He was 54 years old and resided here.

250/10/5/14
SECRET

DEPARTMENT OF EXTERNAL AFFAIRS.

DR:AEK.

CABLEGRAM. 10159.

Dated: 2nd August, 1956.
1459.
FROM: Rec'd: 3rd August, 1956.
0900.

Australian Legation,
CAIRO.

AMENDED COPY.

143. SECRET AND GUARD. IMMEDIATE.

Savingram Washington 5, London 6, Paris 5.

From Cutler.

1. * Chief of the general staff fully informed. Internal situation remains quiet. Nasser continues, in my view, abusive speeches even to university students and boy scouts. Example "Arab nationalism from the Persian Gulf to the Atlantic is now aflame. The Canal Company sucked Egypt's blood and conspired against her liberty and independence. If imperialists transgress our rights we will repulse the pirates". On the other hand Nasser reiterates to the diplomatic corps and journalists, intention of allowing the unhindered passage of ships. Public support for Canal seizure almost unanimous and mood alternates between jubilation and justification. The latter includes claims that * the United Kingdom and states supporting her "were hatching a sinister and criminal conspiracy with the obvious object of abstaining from handing the canal to Egypt twelve years hence". However signs of apprehension regarding the consequences especially any suggestion of the return of British troops.
2. Egypt encouraged by American caution. American commercial interests in Middle East nil, and any sign of different policy of the Western Powers will be exploited as far as possible by Egypt. Arab Nationalist mood and Nasser's example of Suez Canal indicate nationalisation of American Oil interests possible and if this happens American policy must take the full blame for this loss and any indecision now on the Suez.
3. New Canal authority under the chairmanship of the Minister of Commerce held first board meeting Canal zone yesterday. Report says "Officials and workers welcomed them with deafening applause", congratulatory cables sent to Nasser. I believe any suggestion of international Commission or United Nations control will be rejected.
4. Implications of currency control in London and Cairo not yet clear. Banks and Commercial firms confused and embarrassed occur.
5. Two journalists including Sefton Delmer forced to leave Egypt for allegedly seeking military information.

MIN. & DEPT. E.A.
MIN. & DEPT. DEFENCE
A/MIN. & DEPT. TRADE (C)
MIN. & DEPT. S.T.
TREASURER & TREASURY.
P.M.'S.

(T/T TO MINS OFFICE)
DEFENCE)

(* Amendment)

/ Cc: ...

3rd August, 1956.

SEC A/Ss L&T(DIV.5)
S&SEA SA E AF&ME E AF&ME

SECRET UN ER CR APAC AM AM&SP
INF DL MT G&P EXCOMS.

250/10/5/14

INWARD CABLEGRAM.

SHA.

I.10197.

Dated: 3rd August, 1956.
0035
FROM: Recd.: 3rd August, 1956.
1158

Australian High Commission,
LONDON.

2134. UNCLASSIFIED. IMMEDIATE.

From McCarthy.

My immediately preceding telegram.

Suez Canal.

Following is the text of the statement. Begins:

'The Governments of France, the United Kingdom and the United States join in the following statement:

1. They have taken note of the recent action of the Government of Egypt whereby it attempts to nationalise and take over the assets and the responsibilities of the Universal Suez Canal Company. This Company was organised in Egypt in 1856 under a franchise to build the Suez Canal and operate it until 1968. The Universal Suez Canal Company has always had an international character in terms of its shareholders, directors and operating personnel, and in terms of its responsibility to assure the efficient functioning as in international waterway of the Suez Canal. In 1888 all the great powers, then principally concerned with the international character of the Canal and its free open and secure use without discrimination, joined in the Treaty and Convention of Constantinople. This provided for the benefit of all the world that the international character of the Canal would be perpetuated for all time irrespective of the expiration of the concession of the Universal Suez Canal Company. Egypt as recently as October 1954 recognised that the Suez Canal is "a waterway economically, commercially and strategically of international importance" and renewed its determination to uphold the Convention of 1888.

2. They do not question the right of Egypt to enjoy and exercise all the powers of a fully sovereign and independent nation, including the generally recognised right under appropriate conditions to nationalise assets not impressed with an international interest which are subject to its political authority. But the present action involves far more than a simple act of nationalisation. It involves the arbitrary and unilateral seizure by one nation of an international agency which has the responsibility to maintain and to operate the Suez Canal so that all the signatories to, and beneficiaries of, the Treaty of 1888 can effectively enjoy the use of an international waterway upon which the economy, commerce and security of much of the world depends. This seizure is the more serious in its implications because it avowedly was made for the purpose of enabling the Government of Egypt to make the Canal serve the purely national purposes of the Egyptian Government rather than the international purpose established by the Convention of 1888. Furthermore, they deplore the fact that as an incident to its seizure the Egyptian Government has had recourse to what amounts to a denial of fundamental human rights by compelling employees of the Suez Canal Company to continue to work under threat of imprisonment.

INWARD CABLEGRAM.

I.10197.

- 2 -

3. They consider that the action taken by the Government of Egypt, having regard to all the attendant circumstances, threatens the freedom and security of the Canal as guaranteed by the Convention of 1888. This makes it necessary that steps be taken to ensure that the parties to that Convention and all other nations entitled to enjoy its benefits shall in fact be assured of such benefits.

4. They consider that steps should be taken to establish operating arrangements under an international system designed to assure the continuity of operation of the Canal as guaranteed by the Convention of 29th October, 1888, consistently with legitimate Egyptian interests.

5. To this end they propose that a conference should promptly be held of the parties to the Convention and other nations largely concerned with the use of the Canal. The invitations to such a conference to be held in London on 16th August, 1956, will be extended by the Government of the United Kingdom to the Governments named in the Annex to this statement. The Governments of France and the United States are ready to take part in the Conference.'

Ends.

Annex follows:

Parties to the Convention of 1888 - Egypt, France, Italy, Netherlands, Spain, Turkey, United Kingdom, U.S.S.R.. Other nations largely concerned in the use of the Canal either through ownership of tonnage or the pattern of trade - Australia, Ceylon, Denmark, Ethiopia, Federal Republic of Germany, Greece, India, Indonesia, Iran, Japan, New Zealand, Norway, Pakistan, Portugal, Sweden, and the United States.

MIN. & DEPT. E.A.
MIN. & DEPT. DEFENCE
MIN. & DEPT. S. & T.
A/MIN. & DEPT. TRADE
TREAS. & TREASURY
P.M.'s

3rd August, 1956.

SEC A/Ss L&T(DIV 5) UN ER CR PAC&AM AM&SP S&SEA SA SEA EAF&ME
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25010514

INWARD CABLEGRAM.BH
PRESSSent: 2nd August, 1956.
1759
Rec'd: 3rd August, 1956.
1158

FROM:

Australian Embassy,
WASHINGTON.755. UNCLAS IFIED.Suez Canal.

At a Press conference, first August, President Eisenhower said in answer to a question of his view of the Suez Canal crisis "The only thing I can say is we are manifestly faced with a very grave issue, important to every country in the world, which has a seacoast and may be even all the rest so it is something to be handled with care, to make sure we are just and fair; but we must make certain that the rights of the world are not abused."

2. The President was also asked whether, if the United States came out in favour of internationalising the Suez Canal, it might not induce other nations to suggest nationalisation of the Panama Canal. The President replied that the conditions were not identical, in that the 1888 convention, while it recognises that the Suez concession itself will run out in 1968, provides that the Suez Canal will always be an international waterway free for the use to all the nations of the world in peace and war. The President continued "right now the great problem is to make certain of the continued efficient use of this great waterway, whose importance is not confined to neighbouring countries or Europe, but indeed is vital to our economy and to our future welfare"

MIN & DEPT. E.A.
MIN & DEPT. DEFENCE
MIN & DEPT. TRADE (C)
MIN. & DEPT. S&T
TREASURER & TREASURY
P.M'S.

3rd August, 1956.

SEC A/SS L&T(DIV 5) UN ER CR PAC&AM AM&SP S&STA
SA STA EA&F&ME E AF&ME INF DL MT C&P

250/10/5/14
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SECRET

INWARD CABLEGRAM.

WT:HP

I.10091

FROM:

Dated: 1st August, 1956.
1735
Rec'd: 2nd August, 1956.
9 a.m.Australian Embassy,
PARIS.244. SECRET.Suez.

President Eisenhower's decision to send Dulles to London is greeted here as an important success for French diplomacy. Pineau told the French press that he had telegraphed insisting that Dulles join the talks. Apparently Mollet also approached Eisenhower.

2. The press on 1st August also welcomed the American blocking of Egyptian funds and the report of British military measures.

3. There is, however, much anxiety over the American attitude to what the press generally consider a "parallel situation to 1936" (occupation of the Rhineland) with frequent comparisons of Nasser to Hitler. Most papers, with North Africa in mind, warned against weakness or compromise.

4. According to one of the best informed "Newsletters", Mollet was able to confirm to Pineau, when he returned briefly to Paris yesterday, that the Government was unanimously in favour of effective reprisal against Nasser.

- (a) Defferre, and advocates of negotiated peace in Algeria, felt that negotiations would be impossible unless France firstly shook Nasser's prestige.
- (b) The rest, including Mollet himself and Lacoste, felt that the Algerian situation might well deteriorate seriously if Nasser appeared to win a victory over the West. As for Pineau, he seemed to have adopted the idea of an International Conference widened to include the U.S.S.R.

.....Stirling.

Min. & Dept. of External Affairs.
" " " " Defence.
" " " " S. & T.
A/ " " " " Trade(Canb.)
Treasurer & Treasury.

Teletyped to Minister's
Office & Defence.

2nd August, 1956.

SEC A/Ss LAT(Div.5) UN ER PAC&AM AM&SP S/SEA SA E.AF&ME
E AF&ME INF DL MT C&P

SECRET

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper The Times
Published at New York,

File No. 250/10/5/14
Date 1-8-56.

DULLES DEPARTS FOR SUEZ TALKS; U.S. BLOCKS FUNDS

Secretary Flies to London
Suddenly After President
Asks Him to Attend

CANAL'S ASSETS FROZEN

Treasury Acts on Company's
and Egypt's Holdings Here
to Protect Investors

By EDWIN L. DALE JR.

Special to The New York Times

WASHINGTON, July 31 — Secretary of State Dulles left suddenly today for the London talks on the Suez crisis. He flew off after a ninety-minute session with the President and will be in London in the morning.

A few hours after Mr. Dulles' departure, the Treasury froze "temporarily" all the assets in the United States of the Egyptian Government and the Suez Canal Company. The order does not affect bank accounts or other assets of private persons and companies.

Mr. Dulles' trip to London was announced by the White House in these terms:

"In view of the importance of the matter being discussed in London between Foreign Ministers [Selwyn] Lloyd and [Christian] Pineau, the President has asked Secretary Dulles personally to take part in the concluding period of their talks, in which the United States also is represented by the Deputy Under Secretary of State [Robert Murphy]."

Mr. Dulles said essentially the same thing at National Airport before he took off, and refused to elaborate. Asked if his trip was "urgent" on the basis of Mr. Murphy's reports, he replied: "You will have to draw your own conclusions."

Is Silent on Proposals

He also refused to comment on whether he was taking with him any United States proposals for settling the crisis. Mr. Dulles said he expected to be back "in a day or two."

It was learned over the weekend that concerned officials had been alerted for a probable trip to London by Secretary Dulles at just this time. However, Mr. Dulles apparently changed his mind subsequently, and then today changed it back again.

He said at the airport that he had had "no plans up to 11 this morning." The White House statement made plain that the President had requested the trip. It was learned that the trip was not occasioned by anything

Suddenly After President
Asks Him to Attend

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It was learned that the trip was not occasioned by anything that happened yesterday at the Cairo meeting between President Gamal Abdel Nasser of Egypt and the United States Ambassador, Henry A. Byroade. That session was said not to have produced anything new of importance.

Officials here were still not at all sure what would come out of the London talks. Though obviously a plan for international supervision of the canal — if Egypt would go along — has been in the forefront of the discussions, officials said it was still premature to conclude that this would be the solution agreed upon.

One good reason for Mr. Dulles' trip may well have been simply a demonstration of American backing for the British and

Continued on Page 3, Column 3

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper The Times
Published at New York

File No. 250/10/5/14

Date 1-8-56

A.O.S.P.

COMPANY LONG SET TO GIVE UP CANAL

Suez Concern Had Prepared
Finance Structure to Meet
Charter's Normal End

By ROBERT E. BEDINGFIELD

The shock of the Egyptian Government's nationalization of the Suez Canal is nowhere near as great for stockholders of the Suez Canal Company as it is to the users of the company's facilities.

Ever since 1880 the canal company has been putting its house in order preparing for 1956, when its Egyptian charter is to expire. It has known all along that when that date arrived the canal would revert to Egypt and that the company itself would go out of business as an operating concern.

It has been preparing for that in two ways. It has been using its excess earnings to buy back its ordinary or regular capital shares, giving the holder a new certificate of beneficial interest in addition to returning to him the par value of his shares.

It also has been using its earnings to become an investment company with large security holdings in France, Britain, Egypt and elsewhere.

When the company was organized nearly a century ago the original capital was 400,000 shares of 500 gold francs par value. In 1924 the stock was split two for one and the par value of the shares changed to 250 gold francs. Based on the present price of gold this is about \$81.67.

More Than Half Repurchased

Of the 800,000 split shares more than half have been repurchased or refunded. On Jan. 1, this year, of 800,000 authorized capital shares, there were only 378,768 of the original shares outstanding. The remaining 421,232 shares were what the French call action de jouissance, or what Wall Street would describe as certificates of beneficial interest; that is, a stake in the company but no claim on the assets.

The two securities are treated by the company as alike in all respects except as to income. Holders of the regular shares receive an interest payment of 5 per cent annually, or roughly \$4 a share, plus a dividend paid out of earnings.

Based on 1955 profits, the 1956 dividend on the ordinary and beneficiary shares is expected to be about \$27 a share. Holders of the certificates are not entitled to the regular 5 per cent payment, but they have the same claim on the dividend payable from earnings as the regular shares.

The company's shares are bearer securities carrying interest and dividend coupons. Because they are not registered, the company does not know exactly how many shareholders it has. It does know that the British Government holds 352,964 shares of the two types of stock, equal to 44 per cent. It believes that 348,200 shares are held by French investors and that the balance is scattered around the globe.

Only Few Shares in U. S.

Only about 2,000 to 2,500 shares are understood to be held in the United States. The United States was not among the original subscribers nor was the United Kingdom. Britain's vast investment dates back to 1875, when Benjamin Disraeli, Queen Victoria's Prime Minister

Finance Structure to Meet
Charter's Normal End

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Of the 800,000 split shares more than half have been repurchased or refunded. On Jan. 1, this year, of 800,000 authorized capital shares, there were only 378,768 of the original shares outstanding. The remaining 421,232 shares were what the French call action de jouissance, or what Wall Street would describe as certificates of beneficial interest; that is, a stake in the company but no claim on the assets.

The two securities are treated by the company as alike in all respects except as to income. Holders of the regular shares receive an interest payment of 5 per cent annually, or roughly \$4 a share, plus a dividend paid out of earnings.

Based on 1955 profits, the 1956 dividend on the ordinary and beneficiary shares is expected to be about \$27 a share. Holders of the certificates are not entitled to the regular 5 per cent payment, but they have the same claim on the dividend payable from earnings as the regular shares.

The company's shares are bearer securities carrying interest and dividend coupons. Because they are not registered, the company does not know exactly how many shareholders it has. It does know that the British Government holds 353,504 shares of the two types of stock, equal to 44 per cent. It believes that 348,200 shares are held by French investors and that the balance is scattered around the globe.

Only Few Shares in U. S.

Only about 2,000 to 2,500 shares are understood to be held in the United States. The United States was not among the original subscribers nor was the United Kingdom. Britain's vast investment dates back to 1875, when Benjamin Disraeli, Queen Victoria's Prime Minister, bought his country's 44 per cent interest from the Khedive Ismail of Egypt for £3,076,582.

The canal company, in addition to its operating income from the waterway, derives a substantial income from its investments.

The Dec. 31, 1955, balance sheet disclosed that of total assets of \$3,667,532,158 francs,—roughly \$240,000,000—cash, securities, investments and real estate holdings amounted to 45,942,000,000 francs, or about \$131,000,000. This figure is understood to be cost rather than market value and therefore a sharply undervalued amount.

25/10/514

~~CONFIDENTIAL~~

INWARD SAVINGRAM.

MB:AS:EH:LB

I. 9990/1/2/3.

Dated: 25th July, 1956.

FROM:

Rec'd: 31st July, 1956.

Australian Embassy,
WASHINGTON.Saving 248. CONFIDENTIAL.

Copy to London.

Your telegram 553.

Aswan.

You will presumably have seen the text of the United States statement 19th July announcing the conclusion of the United States Government "that it is not feasible in the present circumstances to participate in (Aswan) project". Reasons given were developments in the seven months following the original United States-United Kingdom offer, notably that "agreement of riparian states has not been achieved, and ability of Egypt to divert resources to ensure the project's success has become more uncertain than at the time the offer was made". The statement, however, continued that the United States was still "prepared to consider at an appropriate time and at the request of riparian states what steps might be taken toward more effective utilisation of the water resources of the Nile for the benefit of the peoples of the region". The United Kingdom statement on the following day, as reported here, gave a similar explanation.

2. United States decision to withdraw aid offer was of course taken after consideration of numerous factors for and against. The following appeared to have been amongst the most important factors. (Most of these have been extensively analysed by the press, which throughout has appeared quite well informed of developments relating to the Aswan project, even to generally predicting withdrawal of the Western offer):

(A) Economic.

(1) Commitment of Egyptian Foreign Exchange resources for future years to other projects. In particular, the cotton crop has been reported as heavily mortgaged for some years ahead in order to pay for the purchase of arms from the Soviet Bloc, the value of which is said to have risen from the originally reported 100 million dollars to 250 million dollars;

(11) Lack of evidence that Egypt could or would adopt measures of internal austerity which would be needed during the life of the project to make resources available and to counter inflationary pressure of large capital expenditures.

(B) Political.

(1) "Shift" in United States attitude towards Nasser, due to disappointment of earlier hope that Nasser might prove strong influence in the Arab world. Unceasing Egyptian attacks on the West couched in most unrestrained language, the development of relations with the Communist Block (including recognition of Communist China) and

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CONFIDENTIAL**INWARD - SAVINGRAM.**

9990/1/2/3.

pursuit of activities hostile to Western interest in the Middle East had brought the United States to the point where the value of helping to support the Nasser regime was seriously questioned;

(II) Reaction to Egyptian "bluffing" on the dam, as Egypt tried to make it appear that Soviet had made a very "generous" Aswan offer when, in fact, the Soviet had apparently been vague and non-committal;

(III) Refusal to be "black-mailed" into granting aid every time the Soviet threatened to do so. It has been suggested that the United States might not be too dismayed if the Soviet did undertake the project, as this could impose considerable strain on Soviet economy; on the other hand if the Soviet did not grant aid the emptiness of its original aid "offer" might be exposed;

(IV) Protests against Aswan aid from "pro-West" countries such as Turkey, Pakistan, Iran and Iraq;

(V) Hostility of the United States public and congressional opinion to the Aswan project;

(VI) Desire to show that Nasser's tactics of playing the West off against the Soviet did not pay.

3. On the other hand reports have also dealt with the serious risks involved in United States decision including hostile Egyptian and possibly Arab reaction and danger that the Soviet, despite Sheplov's reported denial on 21st July that the Soviet was considering Aswan aid, might decide to undertake the project in order to gain a strangle-hold on Egyptian economy. These factors are said to have been weighed carefully by the United States over the last few months until the decision was finally taken within the last week or so that the cons outweigh the pros and that "calculated risk" of withdrawing the aid offer should be accepted. Sheplov's subsequent statement has been regarded by some commentators as some indication that the gamble was justified and that the risks were perhaps not so large as supposed.

4. We discussed the matter with the Egyptian Desk on 23rd July. The Desk said the decision to withdraw the offer had been made at "very high level", (in consultation with United Kingdom), and that lower echelons of the Department were not really certain until the last moment what the decision would be. The Desk confirmed that the decision had been made "within the last two weeks", although re-evaluation of the project, (and of general Egyptian situation), had been proceeding for some months. The United States was well aware of the risks involved in the decision in respect both of Egypt-West relations and of Soviet penetration of the Middle East. Despite the Sheplov statement the State Department considered it quite possible that the Soviet would still offer aid for the project (just as of course the United States could in due course according to the terms of the statement). The decision had in fact been made on the assumption that there was a fairly tangible Soviet offer although reports available did not indicate any particular Soviet enthusiasm.

5. The Desk said it was difficult to estimate the relative importance of the factors involved in the decision. The main reasons given in the official statement concerning the

CONFIDENTIAL

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CONFIDENTIAL**INWARD SAVINGRAM.**

-3-

I. 9990/1/2/3.

ability of Egyptian economy to support the project and lack of agreement amongst riparian states were genuine and important although they did not of course cover all considerations. On the economic side, bilateral arrangements entered into by Egypt with the Soviet Bloc could seriously affect Egypt's ability to find resources for the Aswan project, not only external funds but also local currency. So far as the economic effects of the arms deal were concerned it was not the monetary value of arms which counted as much as the extent to which the deal, (which was of the "open-end" type permitting Egypt to order arms more or less at will), committed Egypt to supply cotton to the Soviet Bloc. Already there had been a very substantial increase in those supplies. Regarding the division of waters it was now evident that not only Sudanese interests but also those of Ethiopia and British Territories in East Africa would have to be considered. Generally United States had grown wary of getting into a project which in view of the state of the Egyptian economy might prove extremely difficult to carry out successfully and which might only result in "brick bats" and criticism for whoever undertook the project.

6. The Desk agreed that most of the "political" reasons referred to by the Press also played their part in the decision including increasing doubt about Nasser's aims (on which the United States now "get along very well with the British"), general dislike of Egypt's blackmailing tactics, the hostile attitude of Congress (which had been more critical of the Aswan project than of any other part of the mutual security programme including aid to India and Yugoslavia), and the unhappiness of several United States friends (including Turkey, Pakistan, Iraq and Iran) at United States willingness to offer aid on a large scale to an unfriendly neutral like Egypt.

7. The Desk had little knowledge then of reaction to the Western decision. (This was prior to Nasser's violent attack of 24th July) although the Egyptian press had naturally "pulled out all the stops" and blasted the United States along expected lines. (United States press seemed generally to accept the decision as inevitable and brought on by Nasser's own wilful conduct - with the exception of some commentators such as Alsops who attacked Dulles for "making an enemy" of Egypt. Sections of Congress who had opposed the project would of course be very satisfied). What course Egypt would now follow was largely a matter of speculation. Nasser had staked considerable prestige on the project and the withdrawal of the Western offer would be a blow to him (as would his failure to "get his own way" in discussions with Tito and Nehru). Nasser's position was based to a considerable extent on success, particularly success in playing off the East against the West and the Western decision should be an obvious lesson to him and the Egyptian public that these tactics did not always pay off. As to whether Egypt would now turn squarely to the Soviet for aid, the Desk repeated the view previously expressed to us that the Egyptians, although confident of their ability to handle the Russians, were aware that there was a point somewhere beyond which development of relations with the Soviet might compromise Egyptian independence; hence they might not rush into accepting any aid the Soviet now offered. In any case it was not clear what aid, (if any), the Soviet would offer on the project.

8. In general we gained the impression the State Department at least at Desk level was inclined to feel that

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CONFIDENTIAL**INWARD SAVINGRAM.**

-4-

I. 9990/1/2/3.

abandonment (temporary or permanent) of the Aswan project was the only course open to the United States in the circumstances and possibly even to welcome the decision. The Desk said that decision might help to clear the air considerably so far as United States relations with Egypt and general Middle East policy were concerned and also expressed the opinion that it might show that although blackmail was inevitable in some situations it could not be relied on to extent that the Egyptians thought. It seemed from the remarks of the Desk that on balance political rather than economic considerations may have been dominant in United States decision. So far as general attitude to Egypt was concerned the Desk admitted that general United States feeling was somewhat different from several months ago and that (as mentioned above) it was now considerably closer to United Kingdom feeling.

9. Bank offer which was contingent on Western grant aid will now also become inoperative. (Bury has confirmed that Black notified the executive directors to this effect).

10. We hope to have an opportunity in the next few days to discuss the question further with Rountree who has just been appointed Assistant Secretary (in place of George Allen, appointed Ambassador to Athens) and we shall report his comments.

MIN. & DEPT. E.A.
TREASURER AND TREASURY.

31st July, 1956.

SEC A/Ss UN ER PAC&AM AM&SP S&SEA E AF&ME E AF&ME
INF DL C&P

CONFIDENTIAL

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SECRET

DEPARTMENT OF EXTERNAL AFFAIRS.

DB/ BH

INWARD CABLEGRAM.

1.10003
Sent: 30th July, 1956.
1935
Rec'd: 31st July, 1956.
1330

2501075/14

FROM:

Australian Embassy,
THE H/ GUE.

153. SECRET.

Addressed Canberra 153.

Repeated London 8.

Suez Canal.

1. Although the Dutch government has not thus far made any statement of the attitude towards the nationalisation of the Suez Canal Company. Luns informs me that it takes a grave view of Nasser's action.
2. Luns said in mid March the Dutch government had warned its major Western Allies particularly the United States and the United Kingdom, that if the Indonesian unilateral abrogation of her agreements with the Netherlands were allowed to pass unchallenged it would inevitably lead to similar aggressions against Western interests in other parts of the world. The Dutch Government feels that its warning is now being justified.
3. Luns and Van Tuyll both declared that they regarded Nasser's challenge as akin to that of Hitler at Munich, and that failure to react strongly to it would encourage every Arab country to nationalise its oilfields. The West was therefore faced with a fundamental challenge. While approving the steps already taken by Britain and France, they expressed the fear that the United States would hold back and eventually influence her allies against strong counter action.
4. The Dutch Government has been told by its legal advisers that Nasser is on strong legal ground so far as nationalisation of the Canal Company is concerned, but Luns feels that this is subordinate to the main issue of safe and free navigation.

McClure Smith.

MIN. & DEPT. E.A.
MIN. & DEPT. DEFENCE
A/ MIN. & DEPT. TRADE (C)
MIN. & DEPT. S & T.
TREASURY
P.M'S.

(Teletype to Defence)

31st July, 1956.

SEC /Ss UN ER LAT (Div 5) PAC&M AM&SP
S&PA SA SEA EAF&ME E AF&ME INF DL MT C&P

SECRET

250/10/5/14

CONFIDENTIAL

NATIONALIZATION OF THE SUEZ CANAL

On 26th July, 1956, the Egyptian Government nationalized the Suez Canal Company and seized Canal installations.

Origin of the Expropriation

For some time Nasser has been negotiating financial aid for the cost of constructing a vast hydro-electric project on the Nile at Aswan. The estimated cost of this High Dam is 1,350 million dollars.

In December, 1955, in consultation with the International Bank, the United Kingdom and the United States joined in offering grants in aid of 15 million dollars and 55 million dollars respectively towards the cost of the first stage of this project (coffer dams and diversionary tunnels). They also announced that once the project was under way they would give consideration to the need for further financial assistance in the light of circumstances then obtaining. The International Bank also announced that it was prepared to lend 200 million dollars to be used chiefly in the second stage on the main barrage.

On 19th July, 1956, the United States withdrew its offer. On withdrawing the offer the Government stated that it had concluded that it was not feasible in the present circumstances to participate in the project, since agreement by the riparian states had not been achieved and the ability of Egypt to devote adequate resources to assure the success of the project had become more uncertain than at the time the offer was made.

On 20th July, 1956, the United Kingdom announced the withdrawal of its offer for similar reasons and on 21st July it was announced that the proposal for a World Bank loan for the Aswan High Dam project had been withdrawn, since the Bank loan was contingent on the grants by the United States and the United Kingdom.

On 26th July, when the Egyptian Government announced the nationalization of the Canal, Nasser stated specifically that the revenue would be used for building the Dam. This act of expropriation was therefore clearly in retaliation for the withdrawal of the Anglo-American offer of financial assistance.

Nationalization Controls

The Cairo office of the Suez Canal Company was immediately sealed and Egyptian officials took control of all installations in the Canal zone. Canal employees have been ordered not to leave their posts on pain of imprisonment and loss of pension and compensation rights. Nasser has announced that the nationalization decree provides for:

1. compensation to be paid to all shareholders at Paris stock market rates obtaining on 25th July;
2. the Canal to be controlled by an independent authority attached to the Ministry of Commerce but outside Government rules and systems and having a juristic personality and its own budget;
3. all rights of the Company to be vested in the Egyptian Government and all assets both in Egypt and overseas to be frozen, breaches to be punished by heavy fines and imprisonment.

The Suez Canal Company

The Suez Canal Company was established by virtue of two basic Concessions granted in 1854 and 1856 by the Turkish Viceroy in Egypt. The 1854 Concession was granted to de Lesseps, permitting construction of the Canal, and the 1856 Concession detailed the privileges and responsibilities of the Company and approved its Statutes. The Concessions were subsequently modified in points of detail and confirmed by the Khedive Ismail of Turkey in 1866.

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The Concession is valid until 1968 when ownership of the Canal will pass, unless the Concession is renewed, to the Egyptian Government which will compensate the Company for the assets taken over.

The status of the Company is unusual. It is a joint stock company registered under Egyptian law as an Egyptian company but enjoys immunity from certain Egyptian laws. It is governed by the provisions of the French Code relating to joint stock companies and the Court of Appeal in Paris has been designated as the tribunal of ultimate resort in legal matters affecting the Company.

The Company has 32 directors; 16 French, nine British, five Egyptians, one American and one Dutch. Shares in the Company are owned principally by the United Kingdom Government, believed to be in the vicinity of 44 per cent, and private French investors. As a result of a number of agreements reached with successive Egyptian Governments, Egypt has progressively secured a greater representation on the Board of Directors and a larger share of the profits. The proportion of Egyptian personnel employed by the Company has also been increased.

Issues Posed by Egypt's Action

Apart from the political aspects, there are also legal aspects of the problem. Of these two sets of rights are involved, those of the Suez Canal Company and international rights in the navigation of the Canal.

If there has been an infringement of the legal rights of the Suez Canal Company, there is, as mentioned above, provision in the Company's Concessions for the issue to be taken before the French Courts. International rights in the Canal are spelt out in the Suez Canal Convention which was signed in 1888 between the United Kingdom, Germany, Austria-Hungary, Spain, France, Italy, Netherlands, Russia and Turkey. Article I provides that the Canal "shall always be free and open, in time of war as in time of peace, to every vessel of commerce or of war, without distinction of flag", and a firm obligation is placed on the Egyptian Government by Article IX to "take the necessary measures for ensuring the execution of" the Convention. Egypt is also bound to uphold the "free and open" passage of the Canal, presumably forever, by Article XIV which stipulates that "the engagements resulting from the present Treaty shall not be limited by the duration of the Acts of Concession of the Suez Canal Company".

London Conference

Following upon tripartite consultations in London between the United Kingdom, France and the United States of America, the United Kingdom has issued invitations to a conference in London on 16th August to the following 24 countries who can be described as having a major interest in the Canal:

Parties to the 1888 Convention:

Egypt, France, Italy, Netherlands, Spain, Turkey, United Kingdom,
U.S.S.R.

Countries interested in the Canal through ownership of tonnage
or pattern of trade:

Australia, Ceylon, Denmark, Ethiopia, Federal Republic of
Germany, Greece, India, Indonesia, Iran, Japan, New Zealand,
Norway, Pakistan, Portugal, Sweden, United States of America.

The purpose of the Conference is to establish operating arrangements under an international system designed to assure the continuity of operations of the Canal as guaranteed by the 1888 Convention, consistently with Egyptian interests.

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DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper U.S. Information Service File No. 250/10/5/14
Published at Sydney Date 30th July 1956

DULLES CALLS SUEZ SEIZURE BLOW AT INTERNATIONAL CONFIDENCES (700)

WASHINGTON JULY 29 -- SECRETARY OF STATE JOHN FOSTER DULLES TOLD NEWSMEN TODAY THAT THE SEIZURE BY EGYPT OF THE SUEZ CANAL "STRIKES A GREIVOUS BLOW AT INTERNATIONAL CONFIDENCE."

ARRIVING HERE FROM SOUTH AMERICA, DULLES SAID "HE HAD NOTHING TO SAY" ABOUT A POSSIBLE TRIP TO LONDON TO CONFER WITH BRITISH AND FRENCH OFFICIALS ON THE SITUATION.

HE SAID HE WOULD TALK WITH PRESIDENT EISENHOWER BY TELEPHONE IN GETTYSBURG ON THE MATTER AND WOULD SEE MR. EISENHOWER WHEN HE RETURNS TO WASHINGTON TUESDAY. DULLES SAID HE HAD SICUSSSED THE SITUATION WITH ACTING SECRETARY HERBERT HOOVER, JR., DURING THE PAST 7 DAYS. HOOVER MET DULLES AT THE AIRPORT TODAY.

IN HIS AIRPORT STATEMENT, DULLES SAID:-

"I HAVE BEEN PARTICULARLY CONCERNED WITH THE EGYPTIAN ACTION IN PURPOSING TO NATIONALIZE THE SUEZ CANAL COMPANY. SUCH ACTION STRIKES A GREIVOUS BLOW AT INTERNATIONAL CONFIDENCE." HE ADDED: "THE ACTION COULD AFFECT NOT MERELY THE SHAREHOLDERS, WHO, SO FAR AS I KNOW, ARE NOT AMERICANS, BUT IT COULD AFFECT THE OPERATION OF THE CANAL ITSELF.

"THAT WOULD BE A MATTER OF DEEP CONCERN TO THE UNITED STATES AS ONE OF THE MARITIME NATIONS."

(IN LONDON, U.S. DEPUTY UNDERSECRETARY OF STATE ROBERT MURPHY ARRIVED TODAY FOR TALKS WITH THE BRITISH AND FRENCH FOREIGN MINISTERS ON THE SUEZ CANAL SITUATION.

(HE TOLD NEWSMEN AT THE AIRPORT THAT THE U.S. IS INTERESTED IN "THE IMPACT" THE SEIZURE OF THE CANAL BY EGYPT MIGHT HAVE" ON THE OPERATIONS AND MAINTENANCE "OF THE WATERWAY. HE STRESSED THAT THE LONDON TALKS WOULD BE "EXPLORATORY.")

MEANWHILE, IN WASHINGTON, THE UNITED STATES HAS PROTESTED TO EGYPT AGAINST WHAT WERE CALLED "MANY INTEMPERATE, INACCURATE AND MISLEADING STATEMENTS" MADE THIS WEEK ABOUT THE U.S.

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Note of Paper Toward Suezian

File No. 250/10/5/14

Published at U.S. Embassy Washington Date July 30th 1956

CONT'D

Egypt.

250/10/5/14
7. On July 19th Mr. Dulles informed the Egyptian Ambassador that the United States was no longer prepared to participate in the Aswan Dam project. In a statement after the meeting the State Department said that the decision to withdraw the offer of assistance made last December was taken because agreement by the Riparian States had not been achieved and because Egypt's ability to bear its own share of financing the scheme had 'become more uncertain than at the time the offer was made.' Commentators described the latter explanation as a reference to 'a series of deals by which Egypt has mortgaged her cotton crop for years ahead in barter agreements with....Communist countries.' The Administration's decision will be popular in Congress. Despite an assurance from Mr. Dulles that none of the funds covered by the Mutual Security Appropriations Bill would be used for the Aswan project without prior consultation with the Senate Appropriations Committee the latter had written into its covering report a positive direction to that effect. So far press and radio comment has mostly been favourable to the Administration. The decision is recognised as a "calculated Diplomatic risk". But it is widely thought that "we shall gain no respect or influence in the Middle East or elsewhere by subsidising double dealers who deserve neither our help nor our friendship". However, there are some who doubt the wisdom of the Administration's decision. The Isop brothers think it will lead to a renewed offer of Soviet aid, acceptance of which "would mean total economic domination of Egypt by the Soviet bloc". It is commonly said that Mr. Byrdone has been displaced because of his championing of this thesis. Other commentators like Howe (B.C.) and Combs (W.S.C.) are more concerned at the appearance of indecision created by the Administration's volte-face "we seem to have compounded our initial blunder of prematurely promising help by this eleventh hour withdrawal.... we now stand before the Middle East as a Nation that rarely knows its own mind and when it does doesn't like it".

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper The Times
Published at London

File No. 250/10/5/24.
Date 28 July 66.

AMERICA TAKEN BY SURPRISE

MR. DULLES CONSULTED IN PERU

FROM OUR OWN CORRESPONDENT

WASHINGTON, JULY 27

Colonel Nasser's seizure of the Suez Canal was discussed by President Eisenhower at his Cabinet meeting to-day and the State Department announced later that it is consulting urgently with other Governments, notably Britain and France, on the "far-reaching implications" of the action.

It is admitted that the move caught the United States wholly by surprise, and it almost goes without saying that Mr. Dulles is away from Washington, as he usually has been when major decisions have had to be taken. He took the occasion of his visit to Panama with the President to pay calls at some of the capitals farther south. Before reporting to the Cabinet Mr. Hoover, the acting Secretary of State, had telephone communication with him in Peru. He is due back on Sunday.

No one mentions the bearing on Egypt's action of the abrupt decision by the American Government to withdraw their offer to help with the Aswan Dam, and perhaps this is not the moment to do so, but Colonel Nasser has shown his hand so soon, and so violently, will certainly be taken to justify the marked shift of American policy towards his régime, though the first reaction is one of caution, tending to the middle position that the United States is sought in all these Mediterranean issues.

The Press Officer of the State Department, Mr. Lincoln White, spoke of a "very delicate situation" in which they must trust the "common sense and judgment" of leaders of Britain, Egypt, and France, seeing that nothing of a serious nature backs out as a result. He indicated that the United States was already conferring with the British and French Governments, and in due course would be in touch with other countries concerned. Most of these consultations, he said, were being held in foreign capitals.

POINTED COMMENT

The brief official statement from the partners said: "The announcement by the Egyptian Government of July 26 with respect to the seizure of the installations of the Suez Canal Company carries far-reaching implications. It affects the nations whose economies depend upon the products which move through the international seaway and the maritime countries, as well as the owners of the company itself. The United States is consulting urgently with other Governments concerned."

There are one or two pointed comments from Congress which is caught in the lastish of domestic affairs on the eve of adjournment. Senator Fulbright (Democrat, Arkansas) called the situation "dangerous and ominous," and drew a parallel with the seizure of the British oil refineries in Persia.

Our entire civilization, he said, was based on respect for international agreements and contracts, and Egypt's action constituted a real threat to peace. Senator Morse (Democrat, Oregon), observed that the classification raised a serious threat to American interests in the Middle East, and he urged that all free countries join in calling on the United Nations to exercise "whatever jurisdiction it has" under the Charter.

File

250/10/5/4

American

JULY 28, 1956

DEPARTMENT OF STATE
FOR THE PRESS

NO. 414

Acting Secretary of State Herbert Hoover, Jr. met today with the Egyptian Ambassador, His Excellency Dr. Ahmed Hussein, to discuss with him recent developments affecting United States-Egyptian relations.

Mr. Hoover informed the Ambassador that, entirely apart from the question of the seizure by Egypt of the installations of the Suez Canal concerning which the Department had made a statement on July 27, the United States Government was shocked by the many intemperate, inaccurate and misleading statements made with respect to the United States by the President of Egypt during the past few days, and particularly in his Alexandria speech delivered on July 26. He pointed out that such statements were entirely inconsistent with the friendly relations which have existed between the two Governments and peoples, and were alien to the frank and cordial relationships which have prevailed among American and Egyptian officials.

Under the circumstances, the Acting Secretary said, the United States had no alternative but to protest vigorously the tone and content of these statements.

* * *

State--FD, Wash., D.C.

25071175 SECRET



DEPARTMENT OF EXTERNAL AFFAIRS I.9899

INWARD CABLEGRAM 7th July, 1956.

2359
Rec'd: 28th July, 1956.
1115

FROM:-

Australian High Commission,
L O N D O N .

2068. SECRET.

Repeated Saving Washington 140 Cairo 7.

Aswan Dam.

I have been trying to find out how far United Kingdom statement of 20th July. Withdrawing offer to assist financing of Aswan Dam project amounted to rationalization of an unwelcome position forced on them by United States action, and how far it represented genuine desire to be released from a doubtful and open-ended economic proposition.

2. True explanation seems to lie somewhere between. There is no doubt that in the first moment of dismay, following the news of Egyptian-Czech arms deal, United Kingdom were resolved to go all out to ensure that Aswan Project was financed by the West. It is true that in recent months pressures from their Baghdad Pact partners, together with dawning misgivings about Egypt's capacity to provide its share of finance have lead to some doubts about wisdom of going ahead. There has also been some divergence of opinion over general attitude to be adopted towards Nasser. My impression is that thought United States attitude towards project has evidently been cooling, particularly since Egyptian recognition of Communist China, United Kingdom still continued to hope up to last week that there could be further discussions with the Egyptian Government with aim of modifying and widening basis of Aswan Scheme and no publicity. In event decision of Congress, and Dulles's almost immediate announcement, forced United Kingdom hand and left them with no alternative but to follow suit. I understand Prime Minister himself decided it had best be done without delay.

3. Whether or not manner of withdrawal of offer is regretted here, as it probably now is, I sense growing feeling that offer as originally made was mistaken.

MIN. & DEPT. E.A.
MIN. & DEPT. DEFENCE
P.M'S.

28th July, 1956

SEC A/Ss L&T(DIV.5) UN ER PAC&AM AM&SP EAF&ME E
AF&ME INF DL M.T. C&P

G

SECRET

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper News from America

File No. 250/20/5/4

Published at Sydney

Date 26 July 1956

2 U.S. DECLINES PARTICIPATE
IN ASWAN DAM PROJECT.

Washington, July 19 -- (USIS) -- The Department of State today announced that the United States government "has concluded that it is not feasible in present circumstances to participate" in the Aswan high dam project in Egypt.

Following is text of the State Department statement:

"At the request of the government of Egypt, the United States joined in December 1955 with the United Kingdom and the World Bank in an offer to assist Egypt in the construction of a high dam on the Nile at Aswan. This project is one of great magnitude. It would require an estimated 12 to 16 years to complete at a total cost estimated at some \$1,300 million of which over \$900,000,000 represents local currency requirements. It involves not merely the rights and interests of Egypt but of other states whose waters are contributory, including Sudan, Ethiopia and Uganda.

"The December offer contemplated an extension by the United States and United Kingdom of grant aid to help finance certain early phases of the work, the effects of which would be confined solely to Egypt, with the understanding that accomplishment of the project as a whole would require a satisfactory resolution of the question of Nile water rights. Another important consideration bearing upon the feasibility of the undertaking and thus the practicability of American aid was Egyptian readiness and ability to concentrate its economic resources upon the vast construction program.

"Developments within the succeeding 7 months have not been favorable to the success of the project, and the U.S. government has concluded that it is not feasible in present circumstances to participate in the project. Agreement by the repatriation states has not been achieved, and the ability of Egypt to devote adequate resources to assure the project's success has become more uncertain than at the time the offer was made.

"This decision in no way reflects or involves any alteration in the friendly relations of the government and people of the United States toward the government and people of Egypt.

"The United States remains deeply interested in the welfare of the Egyptian people and in the development of the Nile. It is prepared to consider at an appropriate time and at the request of the repatriation states what steps might be taken toward a more effective utilization of the water resources of the Nile for the benefit of the peoples of

the region. Furthermore, the U.S. remains ready to assist Egypt in its efforts to improve the economic condition of its people and is prepared, through its appropriate agencies, to discuss these matters within the context of funds appropriated by the Congress."

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper U.S. Information Service File No. 250/10/5/14.
Published at Sydney Date 25 July 1956.

WORLD BANK LOAN FOR ASWAN DAM ALSO WITHDRAWN (360)

WASHINGTON, JULY 24 -- A SPOKESMAN FOR THE WORLD BANK TODAY CONFIRMED REPORTS THAT THE PROPOSAL FOR A WORLD BANK LOAN TO EGYPT FOR THE ASWAN HIGH DAM PROJECT HAS BEEN WITHDRAWN SINCE THE BANK LOAN WAS CONTINGENT ON GRANTS BY THE UNITED STATES AND THE UNITED KINGDOM TO HELP GET THE PROJECT STARTED.

THE U.S.-AND BRITISH OFFERS WERE WITHDRAWN LATE LAST WEEK.

THE SPOKESMAN POINTED OUT THAT THE BANK HAD MADE NO APPRAISAL OF THE ECONOMIC FACTORS AFFECTING THE ASWAN PROJECT SINCE LAST DECEMBER WHEN THE ORIGINAL OFFERS TO EGYPT WERE MADE BY THE UNITED STATES AND GREAT BRITAIN.

LAST DECEMBER IT WAS ESTIMATED THAT EGYPT WOULD REQUIRE AT LEAST \$400 MILLION IN FOREIGN EXCHANGE TO CONSTRUCT THE HUGE PROJECT. THIS WOULD BE IN ADDITION TO ABOUT \$1,000 MILLION IN EGYPTIAN CURRENCY.

OF THE \$400 MILLION IN FOREIGN EXCHANGE, IT WAS PROPOSED THAT \$56 MILLION BE GRANTED BY THE UNITED STATES AND \$14 MILLION BY THE UNITED KINGDOM TO GET THE PROJECT STARTED. THESE GRANTS WOULD HAVE BEEN FOLLOWED BY A BANK LOAN OF \$200 MILLION.

IN ADDITION, IT WAS UNDERSTOOD THAT THE UNITED STATES AND THE UNITED KINGDOM, AT AN APPROPRIATE TIME, WOULD CONSIDER FURTHER AID TO HELP EGYPT RAISE THE REMAINING \$130 MILLION IN FOREIGN EXCHANGE.

IN ANNOUNCING THE U.S. WITHDRAWAL, SECRETARY OF STATE DULLES SAID DEVELOPMENTS SINCE LAST DECEMBER "HAVE NOT

CONFIDENTIAL

250/10/5/14

HIC:HP

INWARD SAVINGRAM.

I.9656

FROM:

Dated: 16th July, 1956.

Rec'd: 23rd July, 1956.

Australian Embassy,
WASHINGTON.Saving 237. CONFIDENTIAL.Our Saving 213 paragraph 8 - Suez Canal.

The Egyptian Desk has advised as follows:

1. Two United States vessels were detained by the Egyptian authorities on 12th and 19th June. The vessels were manned by civilians and were owned and operated by the United States Navy and were thus regarded as Navy vessels.

2. The vessels carried Turkish reinforcements which the United States regarded as classified cargo which should not be divulged. However, the Egyptian authorities said transit would be refused unless full manifest of passengers handed over. After calling for instructions the Captains complied with the Egyptian demand.

3. The United States lodged a protest in Cairo a few days ago against the action by the Egyptian authorities as contrary to the 1888 convention affecting the passage of vessels of war. The note was careful and moderate in terms, expressed United States displeasure with Egyptian action and assumed no similar impediments to free passage would be offered in future. No Egyptian reply had been received so far and there might not be a reply as the note did not call for one. The note was designed rather to avoid further interference with United States vessels without provoking a dispute with Egypt. The United States in preparing the protest had consulted with the United Kingdom in Cairo and Washington.

Min. & Dept. of External Affairs.
" " " " " Defence.

23rd July, 1956.

SEC A/Ss UN ER PAC&AM AM&SP S&SPA SA E.AF&ME E AF&ME INF
DL MT C&P G

CAIRO TEL AVIV

CONFIDENTIAL

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper *The Times*

File No. 250/10/72

Published at *London*

Date *12 July 1952*

**U.S. PROJECTS IN
PAKISTAN**

**MILITARY FACILITIES TO
BE IMPROVED**

FROM OUR CORRESPONDENT

KARACHI, JULY 11

Improvements in some of the existing military facilities in Pakistan are being undertaken by an American firm, according to an announcement in Karachi by the United States Embassy.

This announcement followed Sunday night's broadcast by Cairo radio that the United States Government was going to build American air bases in Pakistan. The United States Embassy contradicted this report and declared that no American bases were involved in any way. The Embassy's statement said that the Pakistan Government has signed a Rs155m. contract with the American engineering firm of Oman, Farnsworth and Wright, of New York City, for the work to be carried out.

The Embassy also stated that the contract would provide employment for over 12,000 Pakistanis during the next two years. The workers will be employed by the contractors and will work under the supervision of United States Army engineers.

The improvement projects, due to begin within two months, form part of the United States military assistance programme in Pakistan and comprise "the modernization of existing facilities for the three armed services of Pakistan". The announcement did not specify the sites where the work would be carried out.

A Pakistan parliamentary delegation is due to leave for Russia on July 17. Its composition has not yet been announced. The Speaker of the Pakistan Parliament, Mr. Abdul Wahab, will act as President when Major-General Iskander Mirza leaves for a fortnight in Turkey towards the middle of this month, and Mr. C. E. Gibson, the deputy Speaker, is on a three months tour of the United States, so their inclusion in the delegation to Russia is out of the question.

25/6/51/4

CONFIDENTIAL

DEPARTMENT OF EXTERNAL AFFAIRS.

INWARD SAVINGRAM.

HMC:EH:VA

I. 8807/8

Sent: 27th June, 1956

Rec'd: 3rd July, 1956.

FROM:

Australian Embassy,
WASHINGTON.

SAV. 221. CONFIDENTIAL.

Egypt.

Following is a summary of comments by Geren,
Egyptian-Sudan Affairs, 26th June.

1. Nasser.

Nasser was obviously riding high and position seemed as strong as, or stronger than, ever. He might, however, not be as secure as he seemed. There was always an element of danger in attempting to "legitimise" dictatorship (Cf. example of Shushaikly in Syria, where Shushaikly, as Dictator, has seemed to be firmly in the saddle, but when he introduced "democratic" constitution his power rapidly declined). Nasser was of course stronger than Shushaikly and his steps to give democratic appearance to the regime were more subtle, but nevertheless it was possible that his position might be jeopardised by transition. The conduct of voting in Egypt for the Presidency and constitution was somewhat unpleasantly reminiscent of communist and fascist techniques (e.g. one candidate 99.9% vote, propaganda devices etc.) There was also some doubt as to whether "secret" ballot was really secret. Nasser's objective - appeared clearly to be to establish powerful executive to continue the rule of R.C.C.

2. Egypt's Relations with East-West.

Geren thought the Egyptians might be a little disturbed that relations with the Soviet were at present so smooth and relations with the West so difficult. He thought Egyptians were to some extent relying on West to "rescue" them from too-close Russian embrace in order to keep Egypt neutral. Thus the Egyptians frequently used such expressions as "don't make us accept Russian offer on Aswan project" etc. It was difficult to tell how far this was genuine and how far it merely reflected the two-faced character of Egyptian Foreign Policy. (Recent example of this was article which Nasser was reported preparing to publish in "London Daily Herald" reaffirming his desire for friendship with Britain now that the British forces had evacuated Egypt. Such reaffirmations would not prevent Egyptians from pursuing anti-British or Anti-West policies whenever it suited their interests).

3. Aswan Dam.

On return from Cairo Black told the State Department that Nasser and Kiassouny had been most cordial to him during his

visit

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~~INWARD SAVINGGRAM~~

I. 8807/8

2.

visit and had given him more time than he needed despite Shepilov's visit and national celebrations. Egyptians expressed themselves as hurt at the West's failure to respond to Egypt's counter proposals on Aswan project. They did not raise the question of the Shepilov visit to Cairo. Geren said he understood that the Egyptians had worked out their problems with the bank on the terms of bank loan (difficulty being degree of control or supervision of Egypt's foreign exchange commitments desired by the bank during the period of the project) and that the matter was now held up by difficulty with the terms of United States and United Kingdom aid offers. Egyptian counter proposal on aid offers had suggested inter alia.

- (a) Two phase approach to the project should be abandoned.
- (b) The project should not start until there was agreement with Sudan on division of waters.
- (c) Provisions in United States-United Kingdom offers which would in effect exclude Soviet participation in the project should be eliminated.
- (d) Aid should be offered on a long term basis. Geren said that the statement about prior agreement with Sudan was Egyptian "slip" the effect of which had been to make United States-United Kingdom offers conditional on such agreement. Furthermore the United States was not prepared (or able) to make long-term offers of aid (even this year's amount now had to be re-appropriated), and United States agreement to possibility of Soviet participation in the project could not be considered.

4. According to information received by the United States (mainly from the Iraq Ambassador in Cairo) Shepilov had renewed the Soviet offer which was 4000 million dollars on 60 year loan interest free to be repaid entirely in cotton and with no condition for prior agreement with Sudan. The Soviet was also pressing other economic assistance to Egypt in the form of loans for industry, technicians, building of atomicreactor, etc. Geren's impression was that these forms of aid might suit Soviet purpose better since they would produce far more rapid visible results than the dam project. It was further his impression that the Egyptians still wanted the West to undertake Aswan project (perhaps with some Soviet participation). The United States, however, was now decidedly less keen about the project. Congress particularly was in a difficult mood regarding aid to Egypt and certain other neutral countries.

5. Arab-Israel Situation.

According to the Iraqi Ambassador Sheplov told the Egyptians that the Soviet still supported Palestine settlement backed by the United Nations this had not pleased the Egyptians (just as they had not liked United Kingdom-Soviet statement to this effect during the Bulganin-Kruschev visit Geren thought the Soviet did not

want

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INWARD SAVINGRAM.

I. 8807/8

3.

want Arab-Israeli war at present for many reasons, including the fact that if Israel won (which seemed likely enough) Soviet prestige as the supplier of Arab arms would suffer and even if the Arabs won the Soviet would bear considerable degree of responsibility for the hostilities. (It also seemed that the Egyptians did not want war again partly for fear of losing). It seemed that Shepilov had not been as belligerent or pro-Arab as the Egyptians wanted. He apparently said nothing on question of the 1947 resolutions on Palestine. He did, however, express Soviet support for just solution for Arabs in Algeria but doubted whether now was the proper time to refer the matter to Security Council.

6. So far as Egypt's ultimate ambitions were concerned there was obvious conflict between Nasser's expressions of opposition to none and Egyptian activities. Cairo was beaming anti-British and anti-West propaganda all across North Africa and to other parts of the continent. Occasionally as a result of a specific request the Egyptians would agree to modify or eliminate certain broadcasts but after a few days such broadcasts were generally resumed. Nasser's ultimate aim seemed to be to spread Egyptian influence and power throughout the Arab world and important parts of Africa.

MIN. & DEPT. E.A.
MIN. & DEPT. DEFENCE

4th July, 1956.

SEC A/Ss UN PAC&AM AM&SP S&SEA SA EAF&ME E AF&ME INF DL
MT

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TEL AVIV CAIRO

CONFIDENTIAL

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper U.S. Information Service Far East File No. 250/10/5/14
Published at Sydney Date July 20th 1956

118

250/10/5/14

U.S. DECLINES PARTICIPATE IN ASWAN DAM PROJECT (421)

WASHINGTON JULY 19 -- THE DEPARTMENT OF STATE TODAY ANNOUNCED THAT THE UNITED STATES GOVERNMENT "HAS CONCLUDED THAT IT IS NOT FEASIBLE IN PRESENT CIRCUMSTANCES TO PARTICIPATE" IN THE ASWAN HIGH DAM PROJECT IN EGYPT.

FOLLOWING IS TEXT OF THE STATE DEPARTMENT STATEMENT:

"AT THE REQUEST OF THE GOVERNMENT OF EGYPT, THE UNITED STATES JOINED IN DECEMBER 1955 WITH THE UNITED KINGDOM AND THE WORLD BANK IN AN OFFER TO ASSIST EGYPT IN THE CONSTRUCTION OF A HIGH DAM ON THE NILE AT ASWAN. THIS PROJECT IS ONE OF GREAT MAGNITUDE. IT WOULD REQUIRE AN ESTIMATED 12 TO 16 YEARS TO COMPLETE AT A TOTAL COST ESTIMATED AT SOME \$1,300 MILLION OF WHICH OVER \$900,000,000 (M) REPRESENTS LOCAL CURRENCY REQUIREMENTS. IT INVOLVES NOT MERELY THE RIGHTS AND INTERESTS OF EGYPT BUT OF OTHER STATES WHOSE WATERS ARE CONTRIBUTORY, INCLUDING SUDA, ETHIOPIA AND UGANDA.

"THE DECEMBER OFFER CONTEMPLATED AN EXTENSION BY THE UNITED STATES AND UNITED KINGDOM OF GRANT AID TO HELP FINANCE CERTAIN EARLY PHASES OF THE WORK, THE EFFECTS OF WHICH WOULD BE CONFINED SOLELY TO EGYPT, WITH THE UNDERSTANDING THAT ACCOMPLISHMENT OF THE PROJECT AS A WHOLE WOULD REQUIRE A SATISFACTORY RESOLUTION OF THE QUESTION OF NILE WATER RIGHTS. ANOTHER IMPORTANT CONSIDERATION BEARING UPON THE FEASIBILITY OF THE UNDERTAKING AND THUS THE PRACTICABILITY OF AMERICAN AID WAS EGYPTIAN READINESS AND ABILITY TO CONCENTRATE ITS ECONOMIC RESOURCES UPON THE VAST CONSTRUCTION PROGRAM.

"DEVELOPMENTS WITHIN THE SUCCEEDING 7 MONTHS HAVE NOT BEEN FAVORABLE TO THE SUCCESS OF THE PROJECT, AND THE U.S. GOVERNMENT HAS CONCLUDED THAT IT IS NOT FEASIBLE IN PRESENT CIRCUMSTANCES TO PARTICIPATE IN THE PROJECT. AGREEMENT BY THE REPATRIAN STATES HAS NOT BEEN ACHIEVED, AND THE ABILITY OF EGYPT TO DEVOTE ADEQUATE RESOURCES TO ASSURE THE PROJECT'S SUCCESS

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper *The New York Times*
Published at New York

File No. 2507207514
Date 23rd May 1958

DULLES REPROVES NASSER OVER TIES WITH RED CHINESE

Expresses 'Regret' for Cairo
Government's Recognition
of Regime in Peiping

VOICES MIDEAST HOPES

Visit of an Egyptian to Israel
Cited—Advance Word on
Soviet Arms Cut Denied

By ELIE ABEL

Special to The New York Times

WASHINGTON, May 22.—Secretary of State Dulles uttered his first word of public reproof today for the Egyptian Government of Lieut. Col. Gamal Abdel Nasser.

Asked at his news conference this morning about Cairo's recognition of Communist China last week, Mr. Dulles remarked: "It was an action that we regret."

In response to a subsequent question about Washington's having adopted a "much more bearish view" toward Colonel Nasser, he added that the United States was sympathetic as long as the nationalist Premier's actions were directed toward strengthening Egyptian independence.

"But to the extent that he takes action which seems to promote the interests of the Soviet Union and Communist China, we do not look with favor upon such action," Mr. Dulles said.

U. S. May Bar Help on Dam

The Secretary of State also expressed his desire to see the United Nations take steps to end the conflict between Egypt and Syria. He said: "The time has come when the two countries should be allowed to settle their differences by peaceful means. We must make every effort to help them do so. The United States will do whatever it can to assist them in this regard."

Mr. Dulles said: "Our policy is to encourage the two countries to settle their differences by peaceful means. We must make every effort to help them do so. The United States will do whatever it can to assist them in this regard."

Nasser Is Reproached by Dulles For Egypt's Ties With Red China

Continued From Page 1

Panama with President Eisenhower next month for a meeting of heads of government of the American republics.

The Secretary of State denied that the Soviet leaders, in their London talk with Harold E. Stassen last April 24, made known their intention to cut back the Soviet Union's armed forces. The United States arrived at the conclusion that a cut was coming by "deductions and not disclosure."

The United States is "very happy" that an Egyptian newspaper man visited Israel and was allowed to publish his report in an Egyptian magazine. Any hint of rapprochement between Egypt and Israel is welcome in Washington.

The British Government's decision to expand trade with Communist China need not lead to a general breakdown of the machinery for controlling strategic imports. In any case, it will not affect items "high in strategic value" but only those that can already be exported without restriction to the Soviet Union.

Asked whether the United States favored the return of Mr. Hammarskjold to the Middle East to follow up the cease-fire agreement with further steps toward ultimate peace, the Secretary of State said that he was not certain that the time was ripe for this second step.

He noted that the United Nations Secretary General himself "has some doubts as to whether this is the best action to take at this moment." There is a great deal still to be done, he added, in carrying out the present cease-fire agreements by providing greater mobility and

freedom of movement for the United Nations armistice teams. Mr. Dulles said he could not be specific on the nature of the new resolution being prepared at the United Nations because the members of the Security Council had not crystallized their thinking on the next step.

The Secretary of State's comments on Colonel Nasser were sharper in tone than anything Mr. Dulles had said publicly in the past, even at the time of the Egyptian-Czechoslovak arms agreement last summer.

When the British Government openly criticized Premier Nasser last March on the ground that he had become an enemy of the West, Mr. Dulles defended the Egyptian leader.

At his news conference last April 3, the Secretary of State said that the Egyptian Premier was "actuated primarily by a desire to maintain the genuine independence of the area."

His own feeling, Mr. Dulles added, was that the Egyptian Government had taken no irrevocable decision "to repudiate its ties with the West or to accept anything like vassalage to the Soviet Union."

U. S. Envoy Sees Syrian Premier
DAMASCUS, Syria, May 22 (P)—United States Ambassador James Moose Jr. called on Premier Said Ghazzi today, reportedly to discuss Syria's position on extending diplomatic recognition to Communist China. They talked twenty minutes.

Mr. Ghazzi told reporters earlier that his country was considering following Egypt's lead in recognizing Red China. Egypt was the first Arab nation to do so. Egypt and Syria are members of the nine-nation Arab League.

A, SP.

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper United States Information Service

File No. 250/10514

Published at Sydney

Date 23rd May 1956

U.S. RECRETS EGYPT'S
RECOGNITION OF RED CHINA.

Washington, May 22 - (USIS) -- Secretary of State Dulles said today the United States regrets Egypt's decision to recognize Communist China. The Secretary told his news conference he did not think it would appreciably improve the Peiping regime's chances of gaining admission to the United Nations.

Mr. Dulles said the United States sympathizes with whatever action Premier Nasser takes along the lines which would guarantee genuine independence for Egypt, but stressed that the United States regretted the action of Egypt in extending diplomatic recognition behind the Bamboo Curtain.

In reply to a question he termed hypothetical, Mr. Dulles said he did not think the United States would be willing to co-operate with the Soviet Union if the Russians decide to help Egypt build the Aswan Dam across the Nile River.

The Secretary said the State Department so far has received no official information which confirms reports from Cairo that Egypt has successfully negotiated a deal with Communist China.

* * * * *



27th January, 1956.
AUSTRALIAN EMBASSY
WASHINGTON, D. C.

Memo. No. 146/56

The Secretary,
Department of External Affairs,
Canberra, A.C.T.

E G Y P T

Your attention is drawn to the attached article from the New York Times of 22nd January analysing the over-all effects of U.S. aid programmes in Egypt. The article is one of a series produced by the New York Times on the subject of foreign aid generally,

2. The writer, Osgood Caruthers, suggests that the ground that the West has recently lost in the political field in Egypt has been to a considerable extent offset by the widespread appreciation in Egypt of the "modest" aid programmes, amounting to \$60 million, carried out by the U.S. since 1951. Caruthers also suggests that the "cracks in Western-Egyptian friendship" can be repaired (and the threat of Soviet economic penetration averted), if the West succeeds in its bid to help Egypt finance the crucial Aswan Dam project.

W. K. Flanagan

(W. K. Flanagan)
Second Secretary

Encl.

M. Jaffar (to see
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aged to expand considerably its trade in the Arab world, particularly in Egypt. In this campaign it also has made a number of offers of economic aid, the most important of which was Moscow's offer to help finance Egypt's great High Dam development project at Aswan. No Soviet aid has come to this country, nor have the Egyptians said they would accept any. But they have given the others serious consideration. One aspect of the American

22nd Jan., 1956

Egypt

By OSGOOD CARUTHERS
Special to The New York Times.

CAIRO,

Despite dramatic setbacks to the West in this key Middle East state during the last year the seeds of long-lasting Egyptian friendship have been sown through the modest aid programs of the United States and the United Nations.

Where the West has lost ground in the political field it has gained through a wide range of economic and technical assistance programs.

In this field it is almost impossible to find a responsible Egyptian official who will offer other than constructive criticism. In fact, the gratitude expressed by the officers and civilians who make up the young revolutionary Government of Premier Gamal Abdel Nasser is the more warming in the light of their often bitter denunciation of general United States policies in the Arab world.

What cavilling and opposition there is against American aid comes almost entirely from Leftists and the extreme anti-government forces.

One of the primary aims of Western aid is to raise the standard of living and thus do away with conditions of poverty and unrest where communism could find its most fertile field.

Communists Disorganized

Communism, however, is not yet one of the major problems among the peasants and villagers of Egypt. The movement is confined almost exclusively to students and intellectuals of the more cosmopolitan areas. The present regime has managed to keep them disorganized.

The United States has spent nearly \$60,000,000 in economic and technical aid to Egypt since the start of the program in 1951. The various agencies of the United Nations, whose programs have been more of an advisory nature, have been carried out since 1953 at a total expenditure of over \$2,000,000.

The foreign-aid agencies working in Egypt have only skimmed the top of the myriad problems that confront any effort to bring a better life to the 8,000,000 people crowded along the thin ribbon of the lower Nile Valley. Of the United States expenditure in Egypt, \$40,000,000 has gone to projects that have produced a direct, tangible result: improvement of highways, railways, waterways, drinking-

water systems, machinery equipment and the importation of wheat, newsprint and communications equipment. The rest has been spent on education, advice and demonstrations by teams of experts in every phase of the country's economic life. The United Nations' program has been confined largely to this latter field of assistance.

United States aid officials in Cairo cite with pride a number of initial successes. A program for bringing in 130,000 American chicks of the finest, most productive breed went straight to the hearts of the fellahs or Egyptian peasants.

The chicks, distributed among 7,000 villages, grew to twice the size of the ordinary Egyptian chicken. The American hens laid twice as many eggs that were twice as big as the Egyptian hen's egg.

Another project that has had a direct result is the introduction of hybrid corn. Production of hybrid corn rose 30 per cent after the first year and is expected to double in the next. Thus the ordinary Egyptian diet, which until now has depended upon the importation of considerable wheat and other products, will be supplemented.

In these two projects it can be said the Egyptian people have been reached directly and they have shown their appreciation. Although the farmer produces his own hybrid corn seed now, he still calls it American corn. Although the villagers now are raising more and more of their own fat chickens, they call them American chickens and the big eggs are called American eggs.

Since all of these projects have of necessity been on a small scale, spotted about the country at strategic places, one cannot say that all of Egypt is aware of American aid or has felt its influence. But where it has been felt it has been deeply appreciated.

The Egyptians have gone to the Soviet bloc to make direct cotton-for-arms barter deals rather than accept the American political and economic conditions for military aid. And Premier Nasser has set out on a policy bitterly opposed to the joining of any Arab state to the Western defense alliance—or any foreign bloc for that matter.

In offering the arms on a straight barter basis, the Soviet bloc managed to get an important foothold in the Middle East from which it has managed to expand considerably its trade in the Arab world, particularly in Egypt. In this campaign it also has made a number of offers of economic aid, the most important of which was Moscow's offer to help finance Egypt's great High Dam development project at Aswan. No Soviet aid has come to this country, nor have the Egyptians said they would accept any. But they have given the others serious consideration.

The offer of the American

a peculiar twist. A thoroughly comprehensive survey was made by an American company of Egypt's industrial and productivity potential. A number of projects were recommended for the starting of new industries. So far Egypt has actually set out on seven of these projects. But in throwing open the contracts for the projects to international competitive bidding and in shopping around for the required equipment the job and sale have gone to an Eastern European country in all seven cases.

If the West helps Egypt to finance the High Dam, upon which the Nasser Government is banking its political and economic future, tremendous strides will have been made toward patching up the cracks that have appeared in Western-Egyptian friendship.

Any planning on future United States aid in other fields depends completely upon how much will be granted in aid for building the High Dam.

Egyptians have been urging the United States to project aid it has offered for this program beyond a single grant from one budget to the long-range type. They are therefore watching with keenest interest the progress of President Eisenhower's proposal to put foreign aid on a long-term basis.

CONFIDENTIAL

250/10/5/14

Box 273

S.151/3/1

Memo No. 1122

17th November, 1954

The Secretary,
Department of External Affairs,
CANBERRA, A.C.T.

SUCCESSOR TO THE UNITED STATES AMBASSADOR

I have been informed by the United States Ambassador, Mr. Jefferson Gaffrey, that he will be retiring at the end of the year and will be succeeded by Mr. Henry A. Byroade, Assistant Secretary of State in charge of Middle East Affairs in the State Department.

Sed. H. A. McClure-Smith

(H. A. McClure-Smith)
MINISTER

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(orig. on 16/11/54)
ADS

McCarte [Signature]

Mr McMillan

250/10/5/14

CONFIDENTIAL

S.131/3/1

Memo No. 938

M. S. L. 10/9
M. Lyon 10/9
D. J. 9/9

Box 273
Australian Legation,
CAIRO

1st September, 1954.

The Secretary,
Department of External Affairs,
CANBERRA. A.C.T.

AMERICAN AID TO EGYPT

I refer to paragraph 7 of Ministerial Despatch No. 27 of 4th August concerning the granting of American economic and military aid to Egypt after the successful conclusion of an Anglo-Egyptian Agreement.

2. The Egyptian Government has now officially rejected American military aid. As was foreshadowed in our Despatch, the conditions under which military aid was to be granted (it is understood that these were in accordance with the standard M.S.A. formula) were considered to be incompatible with Egyptian dignity and sovereignty. The American Ambassador has, in confidence, expressed his satisfaction at this rejection as the granting of military aid would have meant considerable domestic difficulties in the United States, specifically the opposition of the Israel lobby. The Egyptians are at least assured of some supplies of arms by the lifting of the British embargo: it has been reported that they will soon receive a consignment of Centurion tanks and jet aircraft.

3. On the question of economic aid, talks are now in progress between the American Embassy and the Egyptian Government, and there is little likelihood of the Egyptians rejecting this type of assistance, although the American attitude could be affected by Nasser's recent suggestion made to a press correspondent that United States recognition of Communist China would promote peace and would be no more than the acceptance of reality.

Org. on 16/3/71

(H.D. WHITE)
Charge d'Affaires a.i.

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F.O. Box 273

1/5/13

Memo. No. 848

Australian Legation, Cairo.

250/10/5/14,

16th July, 1954

The Secretary,
Department of External Affairs,
CANBERRA. A.C.T.

Arson in the U.S.I.S. Libraries

On the night of July 14th, fires broke out in the U.S.I.S. Libraries in Cairo and in Alexandria. In both cases the fires were quickly brought under control.

2. On investigation, it was discovered that incendiary bombs had been planted in both libraries, three of which failed to go off in the Cairo library and are held by the U.S. Embassy as evidence. The bombs were ingeniously constructed and appeared to be spectacle cases. They had sulphuric acid time fuses, the acid eating its way through a container until it contacted magnesium flash powder and thus set off the bomb.

3. At the present moment there is little evidence to indicate who was responsible for the two fires, which have caused about \$2000 worth of damage in Cairo and about \$1300 worth in Alexandria. The U.S. Embassy believes that it was the work of the Communists rather than the Moslem Brotherhood, the other likely suspect. This theory is fostered by their knowledge that the Communists have been receiving sabotage training from European Communist experts.

[Sgd.] N. F. PARKINSON

(N.F. Parkinson),
Acting Secretary.

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~~Mr Zouch to file JMS~~

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Memo No. 444

6th April 1954.

MEMORANDUM FOR: The Secretary,
Department of External Affairs,
CANBERRA. A.C.T.

Point-Four aid to Egypt.

There were signed in Cairo on 3rd April, 1954 eight more agreements between the Egyptian Government and the American Point-Four Administration. These eight agreements are to implement an agreement between Egypt and the United States for a co-operative programme of education which was concluded on 18th June, 1953.

The new agreements envisage large-scale extension of rural teacher training, audio-visual education, rural school development, post-primary schooling, health education, research and fundamental and vocational education. The Point-Four Administration will contribute nearly 1 million dollars to these projects as well as providing special equipment and technicians. The Egyptian Government has undertaken to provide funds, services and equipment to the value of £Eg. 1,065,000 approximately for the same purpose.

A copy of this memorandum is being forwarded to Australian Embassy, Washington, for information.

Sad. A. P. RENOUF

(Alan Renouf)
Secretary.

250/10/5 | 14.

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(Original on 163/11/71) 8/13

DEPARTMENT OF EXTERNAL AFFAIRS.

MQ:GL

CABLEGRAM. I. 143

FROM:

Australian Embassy,
PARIS.

Dated: 5th January, 1954.
1925
Rec'd: 6th January, 1954.
0830

5. UNCLASSIFIED.

Addressed Canberra 5, repeated to Saigon 3.

"Le Monde" tonight headlines article by Alsop in New York "Herald Tribune" which attributes to Bideault Jacquet opinions that America should contemplate direct intervention in Indo-China. Semi-official comments published in the paper suggest that Alsop has put the wrong construction on his interview with these Ministers who favour the greatest possible American assistance in materials but not in manpower.
Officer.

MIN. & DEPT. E.A.
MIN. & DEPT. DEFENCE
P.M.'s

6th January, 1954.

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(COPY)

Australian Legation,
CAIRO.

131/2/2

30th December, 1953.

Memo No. 1833/53

MEMORANDUM for:-

The Secretary,
Department of External Affairs,
CANBERRA. A.C.T.

American Treaty of Friendship, Commerce and Navigation
with Egypt.

The United States has been trying for four years to negotiate a Treaty of Friendship, Commerce and Navigation with Egypt. This Treaty follows the lines of similar Treaties negotiated since the end of the Second World War with a large number of other countries, including Uruguay, Mexico, Italy, Ireland etc.

The negotiations with the Egyptian Government have so far made little progress despite frequent statements to the contrary by the Egyptian Authorities. The Economic Counsellor at the American Embassy told the Legation this week that at present the negotiations are in a state of complete stalemate and that he is waiting for the Egyptian Authorities to give some indication that they want the discussions to proceed. According to the Economic Counsellor, the principal obstacles in the negotiations are firstly, the provisions in the draft Treaty regarding the exchange controls and secondly, the commercial policy provisions. In the opinion of the American Embassy, the Egyptian Authorities are being very difficult regarding exchange controls while according to the Embassy, such Authorities have not even seriously considered the commercial policy provisions. The outlook for the conclusion of the Treaty is therefore bleak.

*to Australian
for information
with ER
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A copy of this memorandum is being forwarded to the Australian Embassy, Washington.

250/10/5/14

(Alan Renouf)
Secretary.

Ref: 1/5/27

Memo.No. 1796/53

P.O. Box 273
Australian Legation, Cairo.

22nd December, 1953

MEMORANDUM for -

The Secretary,
Department of External Affairs,
CANBERRA, A.C.T.

Recall of the Egyptian Ambassador to the United States

Reference is made to the Legation's telegram No.405 of 12th December, 1953.

Dr. Ahmed Hussein returned to Cairo for consultations on 19th December, 1953. The next day he gave a press conference. At this conference the Ambassador said that the United States believed Sir Winston Churchill's statement that if he made further concessions upon the Canal Zone problem, his Government would fall. Dr. Hussein also said that Egypt would attain her objectives with regard to this problem if she continued to insist upon them.

Dr. Hussein also said that the International Bank for Reconstruction and Development was prepared to give Egypt a loan for the Aswan High Dam project if Egypt were to officially apply for a loan; the Bank was convinced that the scheme was worthy of support and was of paramount importance to Egypt.

A copy of this memorandum is being forwarded to the Australian Embassy, Washington, and the External Affairs Officer, London.

Sec. A. P. RENOUF

(Alan Renouf),
Secretary.

by Alan A. Renouf

250/10/5/14

Original env 163/10/5/14

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DEPARTMENT OF
EXTERNAL AFFAIRS

8 DEC 1953

LIBRARY

2nd December, 1953.

SECRET AND GUARD

MINISTERIAL DISPATCH NO. 50/53

FROM: The Australian Minister in Egypt

SUBJECT: American-Egyptian Relations

Sir,

I have the honour to report that, as briefly described in my telegram No. 377, the attitude of the Egyptian Government towards the United States has undertaken one of those sudden and bewildering changes which seem to be the special hallmark of Egyptian politics. Up until ten days ago the leaders of the Army regime, faithfully echoed by their tame press, were extolling the virtues of America in contra-distinction to the vices of Britain. In fighting against the imperialistic machinations of the latter, Egypt could turn in happy confidence to the understanding and good offices of the former.

This neat equation of good and evil was rudely shattered by a speech which Lt.-Col. Gamal Abdul Nasser delivered at Minia El-Kash on 20th November. The Trans-Atlantic Red Riding Hood, with her kindness of heart and her even more estimable habit of bringing practical aid to the needy, was suddenly presented as little better than the British wolf. The Egyptians had been grossly misled in thinking that the United States had real sympathy for their national aspirations or had any intention of giving them disinterested aid. "America's promises," Colonel Nasser told his doubtless astonished listeners, "were only imperialist drugs." When the revolution took place the United States had undertaken to extend to Egypt the economic aid necessary to carry out the new regime's plans to extend production and build up the social and cultural standards of the country. But fourteen months had gone by and these undertakings remained unhonoured. It was clear that America would do nothing to help Egypt which displeased Britain and that the policies of the two countries were basically the same. The lesson for Egyptians was that they should rely on no one but themselves in shouldering the tasks before them.

This spartan doctrine was at once dutifully taken up by lesser spokesmen for the regime and hammered home by a whole series of articles in the local press. Overnight America became the subject of widespread attack. Lt.-Col. Anwar El Sadat, a member of the Revolution Council and of the Revolutionary Tribunal, wrote an article in "El Tahrir" in which he accused America of trying to mislead the Egyptian people with soft words while allying herself with the imperialistic policies of the British. "You have taught us," he declared, "an unforgettable lesson." "Al Misri", which has one of the largest circulations in Egypt, went further. It told the public it had been waiting with impatience for the day when the country's leaders would denounce American duplicity. America would only help Egypt to the extent that it suited her own selfish interests and on the condition that it did not annoy her ally, Great Britain, or her pupil, Israel. But the time would come when America would feel it necessary to obtain the friendship of Egypt.

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25/10/53/14
See 14

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- 2 -

SECRET AND GUARD

Going a step further, "Al Moussawer" explained to its renders the difference between British and American imperialism. Both aimed at occupation, but whereas the former sought to achieve this by the use of force pure and simple, the latter used the subtler method of infiltration. Under the pretext of "the advance of democracy" foreign countries were granted loans and economic aid until they were bound hand and foot to American policy. The liberties of the people were equally disregarded by each form of imperialism. Furthermore, recent history in Greece, Italy, France, Spain and North Africa, proved that American economic aid was used as the lever to secure military bases so that the economic occupation ended by being a military one also.

Finally, Hassan El Hodeiby, the Supreme Guide of the Moslem Brotherhood, gave an interview to "Al Ahram" in which he declared that the United States had abandoned the principles enunciated by President Roosevelt and was now supporting imperialism in every Moslem country, be it North Africa, Libya or Egypt.

The reaction of the American Embassy to all this waivered between shocked incredulity and righteous indignation. The Ambassador, who had ample personal reason to feel aggrieved in view of the unfailing sympathy, and in most instances support, which he has given to Egyptian claims and aspirations, protested vigorously to Colonel Nassar and later to the Foreign Minister, Dr. Fawzy. But, although the attacks on American policy have died down, nothing has been done to mitigate, much less retract, what has already been said.

There remains the question of why the Army regime should have turned so abruptly on America, just at a time when they might have been expected to have sought her good offices and economic assistance more assiduously than ever. The answer of Mr. Gaffrey is that the regime is resentful because the big concessions which he claims to have persuaded the Egyptians to make to the British in the negotiations over the future of the Canal Base have not brought forth equivalent concessions on the British side. Consequently, the regime feels that he has, however unwittingly, led them up the garden path. This explanation hardly accords with the facts as they relate either to the part actually played by the Ambassador in the negotiations or to the actual contents of Colonel Nassar's original charges. Consequently, the answer must be sought in other directions. It probably lies in an amalgam of a number of different factors.

One of these is undoubtedly, as Colonel Nassar so clearly indicated, disappointment over the failure to secure economic aid from America on a much greater scale than it has been so far forthcoming. Although work is going ahead on several projects launched under the aegis of the Point Four Programme, Washington has hitherto made it clear that extensive economic aid could only be granted when the stability of the internal situation seemed to justify it, and that this, in turn, depended upon a satisfactory settlement of the problem of the Suez Base.

For both political and economic reasons, Egypt would clearly like to see the question of American aid divorced from the problem of the Canal Base, and the regime may quite possibly think that by accusing the United States of complicity with the imperialists it will secure this divorce. However serious a misreading this may be of the temper and attitude of the Administration in Washington, the tactic is, in fact, one which might well be successful with the Ambassador here. Be this as it may, there can be no doubt that Egypt is in urgent need of economic assistance, both to put her financial house in order and to get started on some, at least, of the immeasurable public works which have been so extravagantly promised to the Egyptian people as the first fruits of the New Order.

There was consequently much disappointment when the Minister of Finance, Dr. El Emari, recently returned from Washington empty-handed. Indignation was added to disappointment when, under the

SECRET

- 3 -

SECRET AND GUARD

pressure of the Zionist lobby in Washington, the American Administration resumed economic aid to Israel only a few days after it had discontinued it following the Kibria outrage and the differences over the use of the Jordan water. It is claimed, not without some justification, that Egypt's case for financial aid, judged on a purely economic basis, is as strong if not a good deal stronger than that of Israel.

Finally, there is a story, of which the Indian Ambassador, Mr. Panikkar is the author, that the regime has been angered by intimations from Washington that a favourable response to appeals for further financial aid will depend in a large measure upon the speed with which some representative institutions are re-established in Egypt. Whatever the truth of this story, it is a fact that the International Bank recently adopted a policy which required that all loans made by it were to be ratified by the Parliament of the country to which they were given. It is also perhaps worth recording here that in the last few days Colonel Nasser has been emphasising the present Army dictatorship's allegiance to the principles of democracy and that it hopes to have the way clear for a re-establishment of representative institutions even before the provisional period of three years has elapsed. n

What is hardest to understand about the recent Egyptian attacks on the United States is that they have coincided with another formal effort to secure immediate financial aid from Washington. At the same time as Mr. Gaffrey was making his protest to Dr. Fawzy he was given by the latter a copy of the instructions which had been sent to the Egyptian Ambassador in Washington to seek a loan of £45,000,000 from the International Bank for the Aswan fertiliser factory project. This is one of the many public works which General Naguib had publicised during his recent visit to Upper Egypt. Apparently the regime sees nothing anomalous in attacking United States policy on the one hand and seeking American help on the other to secure this loan.

The explanation of this paradox would seem to lie in the fact that the Egyptians have long ago convinced themselves, not only that they have a moral right to financial assistance from the West, and particularly from the United States, but that they are indispensable to the success of Western policy in the Middle East and that therefore financial aid is bound to be forthcoming eventually. It must be feared that this frame of mind has been encouraged by the attitude of the American Ambassador in Cairo towards the Army regime.

There is good reason to believe that if Mr. Gaffrey had his way considerable and immediate American financial aid to Egypt would be forthcoming regardless of its effect upon the Canal Base negotiations. He appears to believe that American influence in Egypt has already been seriously compromised by the general support given by Washington to the British position, and that if a gesture was made to Egypt now it would serve to restore the Regime's confidence in the friendship of America thus paving the way for greater co-operation in the long run between Egypt and the West on strategic matters.

To the objective observer such a policy would seem even worse than slamming the door after the horse was out; it would amount to giving the horse some sugar to sustain it on its way. Were

n See Departmental Memorandum No. 1706/53 of 1st December, 1953

SECRET

- 4 -

SECRET AND GUARD

the United States induced, by whatever specious arguments, to change her policy now and to extend substantial economic aid to Egypt while the Canal Zone negotiations remain deadlocked, there would remain very little chance indeed of ever bringing them to a successful conclusion.

Copies of this Despatch have been forwarded to the Australian Embassy, Washington, and the External Affairs Officer, London.

I have the honour to be,

Sir,

Your obedient servant

Sgd. H. A. McCLURE-SMITH

(H.A. McClure-Smith)
MINISTER

The Rt. Hon. R.G. Casey, C.H., D.S.O., M.C., M.P.,
Minister of State for External Affairs,
CANBERRA, A.C.T.

In reply quote No. 131/2/1.

Memo. No. 141/53



21 SEP 1953

CANBERRA

P.O. Box 273

AUSTRALIAN LEGATION,
CAIRO.

11th September, 1953.

MEMORANDUM for -

The Secretary,
Department of External Affairs,
CANBERRA. A.C.T.

N. A. M. R. U. (Ref. our memo.1383 of 7.9.53.)

The work of the United States Naval Medical Research Unit, No.3 (NAMRU) in medical research and in developing Egyptian-American cooperation was praised by Dr. Nur El Din Tarraf, the Minister of Public Health, and Mr. Jefferson Caffery, the American Ambassador at the opening ceremonies of the three-day annual conference of Egyptian and American Honorary Consultants at NAMRU at Abbassia.

Dr. Tarraf paid tribute to NAMRU as an example of the "mutual and close cooperation" between Egypt and the United States. The medical profession, he said, "works for great humanitarian objectives" and "overlooks political and social barriers".

Dr. Tewfik Shusha, Regional Director World Health Organisation, East Mediterranean Region, and NAMRU Honorary Consultant for Egypt in praising NAMRU's record in medical research, said that NAMRU was working "not only for Egypt, but for research throughout the Middle East." He stressed the importance of its work with bilharzia and other tropical diseases.

Describing NAMRU's staff as "a brilliant and hard-working team of Egyptian-American scientists labouring side by side," Mr. Caffery said that their accomplishments together, which would be reviewed at the conference, would speak for themselves.

"I should like to speak of another achievement - dear to the heart of a diplomat", he went on. "That is the achievement by men from different nations of complete trust and confidence in each other and in the nobility of their common purpose."

"Since its conception, NAMRU-3 has been a wonderful example of Egyptian and American trust and cooperation.

"This cooperation began with the Egyptian Government's offer to base for a nominal sum the land on which this institution was built. As the research unit has grown from that day, so has the cooperation to the point that now we see Egyptian and American scientists working side by side against the common enemy of all mankind.

"Not only the scientists who work here, but other Egyptian and American scientists and governmental leaders have nurtured the success of NAMRU. Its medical research justifiably has won wide acclaim; we in Egypt also know and are proud of its success in international relations."

Speeches were also made by Rear Admiral W. Dana, Medical Corps, U.S. Navy and Dr. L.T. Coggeshall, NAMRU Honorary Consultant for the United States.

CS

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163/11/71

alan renouf
(Alan Renouf),
Charge d'Affaires a.i.

P.O. Box 273

Australian Legation, Cairo.

131/2/1

Memo.No. 1105/53

22nd June, 1953.

MEMORANDUM for - The Secretary,
Department of External Affairs,
CANBERRA. A.C.T.

Point Four Aid to Egypt

Two further Point Four Agreements were signed by the Governments of Egypt and the United States on 18th June, 1953. The Ministers for Foreign Affairs, Education and Public Health signed for Egypt while the American Ambassador and Mr. Hannum, the Acting Director of the Point Four Programme in Egypt, signed for the United States. One Agreement provides for technical assistance in the field of education, the other for the same assistance in the field of public health.

The Education Agreement provides for the establishment and operation of rural teacher-training centres, the development of functional, instructional materials, particularly in the field of visual education, the establishment and operation of vocational training schools and the establishment and operation of a school-building research centre to investigate the needs for such buildings and the most suitable design for them. This Agreement also provides for stimulating and increasing the interchange between the two countries of knowledge, skills and techniques in the field of education.

The Public Health Agreement provides for instruction in the operation of public health centres and other facilities for preventative medicine and disease control, the development of safe-water supplies, sewage disposal and environmental sanitation, insect control, health education, nursing education and of laboratory training. The Agreement also provides for studies of Egyptian needs in the field of public health and the formulation and adaptation of a programme to help meet these needs.

The United States Government will provide \$260,000 and \$125,000 to implement the provisions of the Education and Public Health Agreements respectively. The Egyptian Government will provide equivalent amounts in the form of facilities, labour, technicians, transport and supplies.

A copy of this memorandum is being forwarded to the Australian Embassy, Washington.

Sgd. A. P. RENOUF

(Alan Renouf),
Secretary.

To American. 100/17 7250/10/5-14

DEPARTMENT OF EXTERNAL AFFAIRS

CABLEGRAM. SECRET.

USA

I.6539

FROM:

Dated: 15th May, 1953.
Recd.: 16th May, 1953.
1130Australian High Commissioner's
Office,
L O N D O N .1606. SECRET.

Repeated savingram Cairo 7, Washington 44.

From External.

Egypt.

Following is summary of remarks by Sir James Bowker, Assistant Under-Secretary Foreign Office, to Massey and myself during courtesy call by former on 14th May -

1. He was fairly despondent about prospects of agreement with Egyptians. It was quite on cards Egyptians confronted by present United Kingdom firmness would resume negotiations but parties looked at problem from such completely different angles it was hard to see prospect of real reconciliation even with lengthy negotiation.

2. It was impossible for United Kingdom to prejudice whole result of negotiations by conceding in advance the principles Egyptians demanded.

3. He agreed with Massey that Egyptian method of negotiation through press made things impossible and that to date this was only negotiation which had taken place.

4. There was ample evidence of concerted planning for and official complicity of Egyptian Army in recent attacks and sabotage whatever peaceful professions Neguib, Fawzi and Army Command might make.

5. It was doubtful whether statement by United Kingdom of reasons for presence of troops in Canal Zone would achieve anything especially as it was not pursuant to Anglo-Egyptian Treaty of 1936.

6. He did not think Dulles would have given the Egyptians any encouragement during his visit. His public statement was exemplary.

MIN. & DEPT. E.A.
MIN. & DEPT. DEFENCE
P.M.'s

16th May, 1953.

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CABLEGRAM

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W:SA

I.6501

FROM:

Dated: 15th May, 1953.
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Recd.: 16th May, 1953.
0830.Australian Legation,
CAIRO.

File

164.

SECRET.GUARD.

250/10/5/14

Repeated savingram London 64, Washington 67.

I saw Stevenson and Caffery separately last night.

2. Stevenson expressed dislike of arrangements made by Dulles with Naguib (our 162). He fears it will encourage the Egyptians to expect American submission of alternative proposals which may weaken the British position in negotiations.

3. I believe, myself, the advantages of Dulles' action outweigh possible disadvantages. Caffery assures me the purpose of arrangement was first to secure breathing spell of three weeks in which tempers can cool and the Egyptians will have time to reflect upon the firm attitude Dulles took up on the need for effective base there ready for action. According to Caffery Dulles got Army Committee to concede this need.

Second, to enable Dulles to think out possible alternative proposals for Middle East defence in view of his conclusion that Middle East Defence Organization proposals are dead. Dulles feels that if a new proposal, more acceptable to Egypt and Arab States could be evolved, these might break the present deadlock.

4. The British Embassy attitude is now that showdown has become virtually inevitable. Hence evacuation plans. Caffery feels these plans unwise in that they may give the Egyptians the impression that the British are preparing to get out as at Abadan or alternatively that they have abandoned negotiations. Personally share Caffery's fear. No similar plans being made by the Americans.

5. Caffrey has urged the State Department that Britain must develop new policy towards Egypt founded more on conciliation. Total evacuation should be publicly conceded in principle, precedent to agreement on future base. No reason to believe that Dulles did or would act on such advice. Caffrey obviously anxious to play the role of honest broker and his personal attitude seems unhelpful to the British.

6. Virtually all Egyptian troops comprising two brigades have now been moved from Gaza to the Delta. This leaves a military vacuum vis a vis Israel, which will not recommend Egyptian pre-occupation with the Canal Zone to other Arab States.

MIN. & DEPT. E.A.
MIN. & DEPT. DEFENCE
P.M.'s

16th May, 1953.

SEC A/Sa UN WEST E CENT PI

Mr. Deschamps - for Jocket.

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Australian Legation, Cairo.

Memo. No. 799/53

MEMORANDUM FOR -

31st March, 1953.

The Secretary,
Department of External Affairs,
CANBERRA. A.C.T.

Address by Mr. Eric Johnston to the Egyptian Chamber of Commerce

Mr. Eric Johnston, the Chairman of the United States International Development Advisory Board, at a conference held at the Egyptian Chamber of Commerce in Cairo on 30th March, 1953, explained the attitude of the United States with regard to the implementation of the Point Four Programme and the attitude of that country to the development of foreign private capital investment in Egypt and other Middle Eastern countries. The conference was attended by the leading Egyptian and foreign businessmen.

Mr. Johnston explained that the Point Four Programme had two sides - firstly, technical assistance in matters connected with agriculture, sanitation, social affairs, etc. and secondly, the stimulation of the flow of private capital into countries which needed it.

Mr. Johnston continued that private capital went where there were good opportunities for making profit. Such opportunities depended upon the conditions for investment. In some countries there was extreme nationalism while other countries complained of imperialistic investment.

Mr. Johnston hoped that both extreme nationalism and imperialistic investment would disappear. In his opinion the best policy was partnership of foreign private capital with the countries involved. Such countries should enact legislation favourable for the investment of foreign capital.

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Mr. Johnston went on to say that he had had the privilege of talking with General Naguib and other Egyptian Ministers and that such talks had been very encouraging.

He stated that before leaving Washington he had suggested to President Eisenhower the establishment of a committee of top-level men to contact similar committees in countries desiring investment of foreign capital and to explore the possibilities of making such capital available; he knew of no other means to stimulate the flow of American private capital into Egypt and other countries.

Mr. Johnston was asked what he regarded as the essential constituents of a favourable climate for foreign investment. He replied that there should be no discrimination against foreign capital investment, that there should be reasonable opportunities for the remittance of dividends and that foreign investment should have access to domestic labour and local materials on a equal footing with local interests. American private investments, he added, should not necessarily have a majority interest; what would really count was a long-term management contract and partnership investment.

A copy of this memorandum is being forwarded to the Australian Embassy, Washington.

Sad. A. P. RENOUF
(Alan Renouf)
Secretary.

File US re. with Egypt
250/10/5/14

File 250/10/5/14

Australian Legation, Cairo.

1/8/5

Memo. No. 657/53

10th March, 1953.

MEMORANDUM for -

The Secretary,
Department of External Affairs,
CANBERRA. A.C.T.

Replacement of the former American Counsellor in Cairo

Reference is made to the Legation's memorandum No. 620 of
6th March, 1953.

The American Embassy has informed the Legation that the
present American Consul-General in Tunis, Mr. Louis Jones, will probably
replace Mr. McClintock as Counsellor of the Embassy.

A copy of this memorandum is being forwarded to the Australian
Embassy, Washington.

Sed. A. P. RENDOUF

(Alan Rendouf)
Secretary.

Anberah Keef

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DEPARTMENT OF
EXTERNAL AFFAIRS

Date: 31 MAR 1953

File No. 250/10/5/14

Australian Embassy,

Washington, D. C.

AIR FREIGHT

24th March, 1953.

P. L. No. 186/53 GNU:jmcg

The Australian Embassy presents its compliments to the Department of External Affairs, and has the honour to forward herewith the undermentioned papers.

S U B J E C T

Department of State
Press Release 145 Expansion of Point 4 Program in Egypt March 19, 1953.

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DEPARTMENT OF STATE

FOR THE PRESS

MARCH 19, 1953

NO. 145

EXPANSION OF POINT 4 PROGRAM IN EGYPT

A large-scale program in which the United States will assist the Government of Egypt in reclaiming waste lands and resettling landless farmers was announced today by the Technical Cooperation Administration, Department of State.

An agreement covering the cooperative program, which involves a considerable expansion of Point 4 activities in Egypt, was signed in Cairo today (March 19, 1953) by representatives of the Government of the United States and the Government of Egypt.

The United States will contribute \$10,000,000 to a joint fund, to which the Government of Egypt will contribute a sum amounting to approximately the equivalent of \$15,700,000 in Egyptian pounds. An Egyptian-American Rural Improvement Service is being established to administer the fund, which will be jointly controlled by the president of the Egyptian National Resources Development Board and Dr. John R. Nichols, director of the Point 4 Program in Egypt.

Present plans call for carrying out the development work in two project areas, one in the Delta province of Baheira and the other in the province of Fayoum, south of Cairo. Some 20,000 acres in the Baheira area and 60,000 acres in the Fayoum will be reclaimed by drainage and other measures and a total of about 16,000 families of landless peasants will be resettled, according to preliminary estimates.

The present Government of Egypt has undertaken a vigorous program of reform and national development, aimed primarily at improving the lot of Egypt's 20 million people, most of whom are dependent upon agriculture for a living. The typical peasant is extremely poor, and agricultural land is scarce. Less than 4 percent of Egypt's area is habitable, and the population density averages about 1,600 persons to the square mile of cultivated area.

Secretary of State John Foster Dulles recently expressed the interest of the United States and its sympathy for the progressive attitude and energetic efforts of the Government of General Naguib to meet and overcome the internal problems that face the Egyptian people, wishing that Government every success in its efforts (Press Release No. 89, February 14, 1953.)

The land development and resettlement program represents a major expansion of American assistance to Egypt in its economic development. Cooperative Point 4 activities in Egypt at the present time involve expenditures of about \$3,000,000 by the Technical Cooperation Administration in the fiscal year ending June 30, 1953.

These

These activities, carried out under the General Point 4 Agreement between the U.S. and Egypt, signed May 5, 1951, consist of technical advice and demonstration supplies and equipment in various fields, including agriculture, health, education, rural improvement, industrial development, natural resources, and public administration. A demonstration of range improvement is underway in the western desert which, it is hoped, will result in the eventual development of 2 or 3 million acres for livestock production. A team of American industrial specialists is helping the Egyptian Government locate and promote opportunities for industrial expansion with the aid of private capital. Improved building materials from inexpensive local sources are being perfected, which will enable the Egyptians to build much better houses at only slightly greater cost. American technicians are assisting their Egyptian colleagues in rural improvement activities through village centers, helping improve health and sanitation conditions, aiding in improving educational facilities and methods, and helping train Egyptian technicians in many kinds of specialized work.

The resettlement projects to be undertaken as a result of the new agreement will be developed around villages, the accepted pattern of rural life in Egypt. These villages will be planned and built with fullest use of local labor and materials, taking into account the simple needs and wants of the peasant himself. Improved housing, community facilities, vocational schools, public health services, sanitation works, small-scale marketing and processing facilities for farm crops, and farm-to-market roads must be provided in the project areas, and they will employ the services of the villagers to the greatest possible extent. The project also includes assistance in the organization and operation of cooperatives, demonstrations of improved water conservation and management practices, training of agricultural extension and other rural service workers, and advice to the farmers in farm management and improved methods.

Resettlement activities will be conducted in accordance with accepted principles of rural planning and the accepted and accepted pattern of rural life. The settlements will be planned and built with full use of local labor and materials, taking into account the simple needs and wants of the peasant himself. Improved housing, community facilities, vocational schools, public health services, sanitation works, small-scale marketing and processing facilities for farm crops, and farm-to-market roads must be provided in the project areas, and they will employ the services of the villagers to the greatest possible extent. The project also includes assistance in the organization and operation of cooperatives, demonstrations of improved water conservation and management practices, training of agricultural extension and other rural service workers, and advice to the farmers in farm management and improved methods.

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250/10/5/14

Australian Legation, Cairo.

131/2/1
Memo. No. 503/53

24th February, 1953.

MEMORANDUM for -

The Secretary,
Department of External Affairs,
CANBERRA, A.C.T.

Point-Four Survey of Egypt's Industrial Potential

An agreement was signed in Cairo on 23rd February, 1953 between Egypt and the United States providing for a joint project under the basic Point-Four Agreement to assess the industrial potential of Egypt.

The United States has allotted \$240,000 for carrying out the survey. At the request of the Egyptian Government, a group of industrial engineers of the Arthur D. Little Company of Cambridge, Massachusetts, has been in this country for several weeks planning the details of the survey. Additional American industrial specialists are expected to be consulted from time to time on various phases of the study.

The agreement signed yesterday provides that in collaboration with the Minister of Commerce and Industry, a comprehensive plan for the further industrialisation of Egypt will be drawn up after the survey has been completed.

The joint project will study, inter alia, Egypt's raw material resources, market conditions affecting trade, communications and transportation required for industrial development, the supply of industrial power, the availability of managerial and technical skills and the sources of investment funds.

It will be recalled that the signing of the agreement completes a process commenced under the last Aly Maher Government.

A copy of this memorandum is being forwarded to the Australian Embassy, Washington.

Sgd. A. P. RENOUF

American facts

Original 163/4/1 P.

(Alan Renouf)
Secretary.

Australian Legation, Cairo.

131/5/1
Memo. No. 1165/52

3rd December, 1952.

MEMORANDUM for -

The Secretary,
Department of External Affairs,
CANBERRA. A.C.T.

Visit of Senator Hickenlooper to Egypt.

Senator Bourke B. Hickenlooper, a Republican, arrived in Cairo on 2nd December, 1952 upon a voyage to survey the United States Information Programme in a number of countries. Senator Hickenlooper was accompanied by Mr. George Edman of the State Department. Another United States Senator, Mr. Francis Vallejo, also of the Senate Foreign Relations Committee arrived in Cairo a few days ago upon the same mission.

In a statement to the press, Senator Hickenlooper said that many Americans shared with him a deep admiration for the efforts which the Egyptian people were making to harmonise their great heritage of the past with the pressing needs of the present. It was the hope of the United States that in this process the relations of that country with Egypt would be drawn closer together "based on the self reliance of each country and a dignified consideration of our mutual needs and aspirations for a peaceful free world".

A copy of this memorandum is being forwarded to the Australian Embassy, Washington.

Snd. A. P. RENOUF

(Alan Renouf)
Secretary.

American

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(Copy)

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Memo No. 1050/52

Australian Legation,
Cairo.

19th November, 1952.

MEMORANDUM for -

The Secretary,
Department of External Affairs,
CANBERRA. A.C.T.

Point Four in Egypt

1. It has been announced here that the United States Government under its Point Four Technical Assistance Programme is at present concentrating upon the following projects :

- (1) The visit, at the invitation of General Naguib, of a team of American experts to survey the possibilities of industrial and economic development in Egypt;
- (ii) An experimental desert grazing project covering 10,000 acres between Alexandria and Mersa Matrouh, this project to last five years;
- (iii) The supply of one million chickens over five years from the United States to replace the entire chicken population of Egypt (the Egyptian chicken is small and lays a very small egg);
- (iv) The supply of 10,000 dollars worth of laboratory equipment and serums to fight animal diseases;
- (v) The increasing of the milk supply by the importation of American bulls and the increasing of the production of mutton and wool by the importation of foreign rams;
- (vi) The increasing of the corn crop by 25 per cent through the use of foreign seed;
- (vii) The protection of crops by dusting and spraying by helicopters.

Answered ✓

- Gullane
- 1952/11/1
- 2 copies to ER
- 2.0 d 5/11/52

Alan Renouf
Secretary

250 | 10 | 5 | 14

COPY

250/10/5/1

AUSTRALIAN LEGATION,
TEL AVIV.

Memo No. 1090/52.

13th October, 1952.

MEMORANDUM for :

The Secretary,
Department of External Affairs,
CANBERRA.

Subject : Use of United States Grant-in-Aid Funds.

Of the \$17.5 million released from the second United States Grant-in-Aid, \$16 million have already been spent for the most part in accordance with plans put forward for using the entire sum, it has been officially stated. The changes introduced consisted mainly of purchasing raw materials instead of consumer goods.

2. So far 9 thousand tons of seed potatoes and cattle for breeding were bought instead of phosphates and certain ready made foods. Of the \$2.2 million allocated for agriculture \$1.7 million have already been spent mainly to purchase fodder and feeds and for making payment on account of ten fishing boats ordered in the United Kingdom. The entire sum of \$750 thousand allocated for communications, mainly to buy spare parts and another \$750 thousand allocated for the purchase of building materials has been used to buy timber in Canada.

3. Of the \$9 million allocated for food purchases, \$8 million had already been spent. The purchases include wheat, milk powder, sugar and quantities of oil seeds. Raw materials have already been bought for the entire \$1.5 million allocated for this purpose and include wool, hides and metals. The \$2.75 allocated for fuel and the \$500,000 for medicaments and medical instruments have already been spent. Most of the \$1.5 million still available will be used to buy food and spare parts, but there are plans to use a part of this sum to purchase cold storage equipment.

→ American Section

B

J.C. Ingram
Third Secretary.

original ER 778/2/7

Distribution

Treasury

CFA

S.L. Section

American

- to retain
- orig. in 63/4/71 250/10/5/14

= ~~mod.~~

Lebanon embassy ER Australian Legation, Cairo.

- w.o.d.
g

13th October, 1952.

S.151/3/1
Memo. No. 808/52

MEMORANDUM for -

The Secretary,
Department of External Affairs,
CANBERRA. A.C.T.

Proposed Treaty of Friendship, Commerce and Navigation between the
United States and Egypt.

Negotiations have been going on over the past two years between the United States and Egypt for the conclusion of a Treaty of Friendship, Commerce and Navigation of the type which has been negotiated with a considerable number of other countries and of the type which has been the subject of discussions in many other countries, including Australia.

The Egyptian Minister of Finance this week announced in the press that these negotiations were now rapidly approaching a successful conclusion. This announcement was made following upon a proposal to that effect by the Minister of Finance to the United States Ambassador. The United States Ambassador agreed that the announcement should be made and was gratified at the suggestion as the making of it confirmed the opinion of the Embassy that no real difference of substance now stands in the way of conclusion of the Treaty.

The United States Embassy says that the draft Treaty which has been drawn up is satisfactory to the United States and resembles closely the model treaty used as the basis for negotiations.

Sgd. A. P. RENDUF

(Alan Renouf)
Secretary.

f

Name of Paper *The Daily Telegraph* File No. 250/10/5/14
 Published at Sydney Date 29/9/52

EGYPT SEEKING U.S. ARMS, MONEY

CAIRO, Wed.—The Egyptian Premier (Aly Maher) announced last night that he had asked the United States for military and economic aid.

He made the announcement after a conference in Cairo yesterday.

At the conference Aly Maher met the U.S. Ambassador (Mr. Jefferson Caffery), and Egypt's "strong man," General Naguib.

[General Naguib led the military coup on July 24 which forced Farouk to leave the Egyptian throne and made Aly Maher Premier.]

In Washington last night, U.S. State Department officials said the Department had not yet received the Egyptian appeal for aid.

Aly Maher said yesterday that he hoped to

Newspaper's warning

CAIRO, Wed.—The mass circulation pro-Wafd Party newspaper Al Misri said today that "serious political developments" were expected in the next 24 hours.

The paper carried a statement prominently displayed in a panel on the front page but did not detail what the developments were likely to be.—A.A.P.

hold general elections before next February.

He added that the question of revising the Constitution should be left until the Government had solved the nation's economic problems and reorganised the administrative machinery.

General Naguib yesterday saw Mustapha Khamis, who was sentenced to be hanged for having led last week's mill riot, and who asked to see him to make important revelations.

The Daily Express Alexandria correspondent says the new Egyptian regime is changing everything, including the tarbush, Egypt's national headdress, which is of Turkish origin, and was banned by Mustapha Kemal years ago.

The Ministry of Social Affairs is preparing a law to ban the Egyptian costume.

In summer workmen will wear shirts and shorts, in winter long trousers with a woollen shirt.

The banned tarbush will be replaced by the Mexican sombrero to protect the wearer.

(From A.A.P.)

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper... *The New York Times*

File No. 250/10/514

Published at.....

Date. 21/11/52

~~BID FOR U. S. ARMS
PRESSED BY EGYPT~~*Cairo file*
Naguib Hints He Would Get Aid Elsewhere if Necessary—Studies Mid-East Pact

By The United Press

CAIRO, Aug. 7—Egypt's new strong man, Maj. Gen. Mohammed Naguib, bid today for United States military aid and hinted that if he did not get it from the West he might have to seek it from the East.

In his first interview since he culminated an army coup with the ouster of King Farouk, the 52-year-old general said he would welcome aid from Britain or any other West European country.

"We have got to obtain arms and other modern weapons of war somewhere," he said. "I cannot say who will supply us if America and the Western democracies refuse us their aid."

"But obviously we shall have to apply to somebody."

A suggestion was made that the attitude of the United States and Western Europe might depend to a great extent on Egypt's attitude toward the proposed Middle East defense pact.

General Naguib had no direct comment. He said his staff already had begun to study the question of such a pact.

Wants Aid from U. S.

General Naguib, interviewed at army headquarters here, spoke in fluent English. After two history-making weeks with little sleep, he looked tired.

"It is only natural that I should want military aid from the United States, but will I get it?" General Naguib said.

"It goes without saying that apart from having our officers trained in America, we should like our army and air force to receive American equipment."

"This is not to say that we would not also welcome similar assistance from Britain or any other Western European democratic state if they are prepared to give it to us."

Asked about an arms embargo enforced by the United States and West European countries against certain Arab countries in the Mid-

Continued on Page 2, Column 1

BID FOR U. S. ARMS
PRESSED BY EGYPT

Continued From Page 1

die East, General Naguib replied: "I know definitely that Syria as well as Israel are receiving arms and munitions from the states we mentioned. Why should we be discriminated against?"

It was then that he said he had to have arms from somewhere and would "have to apply to somebody" if they were not forthcoming from the West.

He was asked if the fact that he had arrested most of the senior army and air force officers or given them obligatory leave would have an adverse effect on the services.

"The officers I have are quite capable of doing the jobs of those who are no longer in the army or air force," General Naguib said.

Asked if he proposed having a military man as secretary of war, he said:

"No. [Premier] Aly Maher can do that job as well as anyone. He is a most excellent man, and we are working together 100 per cent."

Political Ties Denied

CAIRO, Aug. 7 (Reuters)—In a broadcast tonight Gen. Mohamed Naguib denied that either he or his military coup was inspired by any political party or organization and warned the country against propaganda to the contrary by "interested parties."

Ban on Foreign Papers Lifted

CAIRO, Aug. 7 (UPI)—Premier Aly Maher's government abolished the censorship of foreign publications coming into Egypt tonight and was reported to have lifted the ban on printing news about the country's now exiled royalty without special permission.

Britain Regrets Envoy's Recall

Special to The New York Times
LONDON, Aug. 7—The recall of Abdil Fattah Amr, Egyptian Ambassador to London since 1945, which has been reported from Cairo, has drawn universal expressions of regret here. The Ambassador was described as a regrettable casualty of the recent military coup in Egypt.

It was felt here that his appointment last winter as foreign policy adviser to King Farouk marked him unfairly as a "palace man." Charges by extreme nationalists that he was a British hireling were considered equally wide of the mark.

The Times of London called him "one who worked sincerely and doggedly for an improvement in Anglo-Egyptian relations while always upholding his country's interests."

Name of Paper

File No.

Published at

Date 25/10/51

BRITISH RESHUFFLE MID-EAST DEFENSES

Precautionary Measures Taken Against Any Egyptian Move in Canal Zone or Sudan

Special to THE NEW YORK TIMES.

LONDON, July 27—All reports reaching London today indicated that Gen. Mohammed Naguib Bey was maintaining order and according full protection to foreigners in Egypt.

Meanwhile "precautionary" movements of British forces in the Eastern Mediterranean continued to underline Britain's readiness to intervene if necessary to protect British lives. Authorities here stressed that the British had no wish to intervene if they could possibly avoid such a move.

Five ships of the British Mediterranean fleet sailed from Istanbul, Turkey at dawn interrupting a visit that was to have lasted until Wednesday. The vessels were the two light aircraft carriers, the Glory and the Canadian Magnificent, each with a full complement of aircraft aboard, the light cruiser Cleopatra, and the destroyers Chevron and Chivalrous.

The light cruiser Birmingham, the frigate Loch Dunvegan and the landing ship Dieppe put out from Malta, the latter carrying the First Battalion of the Highland Light Infantry.

From Cyprus Meteor jets of the 208th Fighter Squadron of the Royal Air Force took off for the Suez Canal zone.

Foreign Secretary Anthony Eden, still convalescing from jaundice at his home, has been receiving full reports on the Egyptian developments and is expected to see Sir Ralph Stevenson, British Ambassador to Egypt, who will return to his post in Cairo early next week. Either Prime Minister Churchill or Mr. Eden will comment on King Farouk's abdication in the House of Commons shortly.

The Foreign Office expected the new Egyptian Government would be too much preoccupied with internal affairs for some time to resume discussions with Britain on the future of the Anglo-Egyptian Sudan and of British troops in the Suez Canal zone.

British officials were not surprised that King Farouk's infant son had been proclaimed King of the Sudan as well as of Egypt, a title Britain disputed his father's right to claim.

The incorporation of the Sudan in the Egyptian sovereign's formal title already has proved awkward for countries that sought to accredit new Ambassadors to Egypt but desired to avoid recognizing this claim.

Observers here noted that although members of the palace clique whose names were linked with the Palestine scandals had been placed under "restricted residence" there were no reports of any moves against members of the Wafd party as part of the promised drive against corruption. Any such move was considered unlikely while the new Government was seeking the participation of Wafd, its leaders Mustafa Nahas Pasha and Fuad Serag el-Din Pasha in the parliamentary ratification of the abdication and the regency of council for allies.

Reports were carefully studied for indications whether General Naguib Bey would broaden the anti-corruption drive or ally himself with the Wafd party.

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper

Published at

File No.

250/10/5/14

Date 3/6/52

The American Embassy in Cairo has issued a statement re-asserting the U.S. policy of non-interference in the domestic affairs of another country and declaring that that Embassy strictly adheres to this policy.³⁰ The statement followed Egyptian press reports which linked the American Embassy with an accusation by the Prime Minister, Hilaly Pasha, that the leaders of the Nationalist Waftist party had approached an unnamed Embassy with offers of a more conciliatory attitude towards the Western powers. Hilaly Pasha has tendered his resignation and King Farouk has invited another independent, Hussein Sirry Pasha, to form a Government.³¹⁻³²

~~American~~

- Retain
- orig. is in 163/11/1
- no other action needed

8/5/52

P.O. Box 273

S.131/3/1.

Australian Legation, Cairo.

Memo.No. 349/52

29th April, 1952.

MEMORANDUM for -

The Secretary,
Department of External Affairs,
CANBERRA. A.C.T.

United States Aid to Egypt

Two officials of the United States Point Four Programme are in Cairo at present to work out an over-all programme of technical cooperation between Egypt and the United States under the Point Four Agreement which was signed between the two Governments nearly a year ago. The planning of this programme is to be done in cooperation with International Organizations such as those connected with the United Nations, in order that the various programmes may complement each other.

The two officials are Dr. Ruder H. Walker, Chief of the Technical Collaboration Branch, Office of Foreign Agricultural Relations, Department of Agriculture, who has visited Lebanon and will visit Iran, Iraq, Saudi Arabia and Jordan after leaving Egypt; and Dr. James R. Mock, Acting Chief of the Egyptian Branch of the Technical Cooperation Administration.

Dr. Walker, who is investigating the agricultural aspects of the over-all programme, is meeting with officials of the Ministry of Agriculture and discussing their agricultural problems with them. He has praised the progress which is being made in Egyptian agriculture, and has stated that the Ministry of Agriculture has many well-trained men at work. Some of Egypt's problems, he claims are like those of the arid zones of the Western United States, where some of the same crops are grown and irrigation is necessary.

Dr. Mock is concerned with all phases of Point Four in Egypt, which includes sanitation, education, natural resources, Commerce and Industry, and social affairs in addition to agriculture. He has stated that American technicians in all these fields have been or will be made available to Egypt. In describing the projects which have been discussed in these fields, he has mentioned as examples the development of fisheries as a means of increasing food production and the increase of handicraft to supplement family incomes. He has also spoken of plans to improve environmental sanitation in the villages and exploration of the possibility of cooperative action in increasing the amount of arable land by reclamation through irrigation projects.

See 11

H.R.

Secretary

7 U.S.A. Mission to Egypt
250/10/5/14

250/10/5/14

CABLEGRAM.

GM:GG

I.5251.

Dated: 4th April, 1952.
2136.
Rec'd: 6th April, 1952.
0900.

FROM:

Australian Embassy,
WASHINGTON.

473. CONFIDENTIAL.

Egypt and the Middle East Command.

Following is summary of conversation with Lewis Jones on 3rd April.

1. Some progress had been made during Stevenson's discussion with Egyptian Government and Jones was not un-hopeful that some statement of principles to govern subsequent negotiations could be agreed between the United Kingdom and Egypt. The next two weeks were crucial period as Hilali would need to have some achievement to present to the electorate if he was to have any hope of defeating Wafd.

2. If agreement could be reached on principles, Jones thought actual negotiations should be relatively easy and could be cleaned up quickly. If the current talks failed Jones could see no alternative but sweeping Wafd victory at elections unless Farouk took drastic measures and Jones was not prepared to speculate about this. He thought however, that Hilali would "give it away" if he could not obtain statement of principles from United Kingdom which he deemed satisfactory.

Jones did not comment specifically upon extent to which statement of principles might cover Middle East Command but thought the most we could expect would be indication given by Egypt in some way of readiness to be associated with the principles and purposes of the Command. He thought it unlikely Hilali would be prepared to join the Command immediately.

3. Egyptian Government could freely claim to have created good atmosphere for negotiation by restoring law and order and dealing drastically with January rioters. Conditions in the canal zone and main centres had immeasurably improved.

4. It was perhaps unfortunate that the Sudan Government had chosen this moment to put forward constitutional proposals.

5. The State Department had recently had no substantial indications of the views of other Arab states regarding Command proposals. He commented that French action in Tunisia would not make things easier.

6. Pakistanis' suggested Islamic conference not making much progress. Turkey, Lebanon, Afghanistan and, he thought Jordan were opposed. State Department had no enthusiasm for the idea which could in no sense be regarded as effective substitute for the Middle East Command, particularly as any organisation initiated by Arab countries would certainly exclude and tend to be aimed at Israel.

7. No more developments regarding military conference in London. We should wait and see for another two weeks or so before taking further action.

DEPARTMENT OF EXTERNAL AFFAIRS.

CABLEGRAM.

I.5251.

Jones, then, while intimating that he was not speaking officially but merely making personal enquiry, said they heard from time to time indications of Australian interest in "political direction" for Command. He said any attempt now to build up any sort of political structure for the Command would be completely contrary to State Department thinking. The first stage they envisaged was merely housekeeping and planning of such political issues as arose could be decided by consultation between founder Governments without creating any political machinery. He agreed, however, that it would be very important to settle clearly in advance what was sought to be achieved by the London conference and what functions the representatives attending would discharge.

A/MIN.AND DEPT. E.A.
MIN.AND.DEPT. DEFENCE.
P.M'S.

∅ amendment.

6th April, 1952.

W

AMERICAN
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S. U. S. A.
C. S. U. R. S.
(S. Admin.)
(L. & T.)
U.N.
To. Am.
E. R.
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P.L.
Pro. & Pao.
Other

DEPARTMENT OF EXTERNAL AFFAIRS.

CABLEGRAM. I. **SECRET.**

TWP:PM.

FROM:

Australian Legation,
CAIRO.Dated: 8th April, 1952.
1705.
Recd.: 9th April, 1952.
0830.91. **SECRET.**Repeated Savingrem London No. 3, Washington No.9,
reference my telegram No.89.

Largely as a result of the good offices of the United States Ambassador, the talks between the Egyptian Minister for Foreign Affairs and the British Ambassador were resumed a few days ago and the British Ambassador is again hopeful that within the next day or two agreement will be reached regarding the text of a set of principles acceptable to both sides as a basis for formal negotiations. Presumably the text is substantially the same as Eden's proposals referred to in my telegram No. 84, but I will clarify as soon as possible.

MIN. & DEPT. E.A.
" " " DEFENCE.
P.M.'S.

9th April, 1952.

25/4/5/14

WT

(W)

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25/4/5/14

250/10/5/14

CABLEGRAM.

GM:GG

I.5251.

Dated: 4th April, 1952.
2156.
Rec'd: 6th April, 1952.
0900.

FROM:

Australian Embassy,
WASHINGTON.

473. CONFIDENTIAL.

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3. Egyptian Government could freely claim to have created good atmosphere for negotiation by restoring law and order and dealing drastically with January rioters. Conditions in the canal zone and main centres had immeasurably improved.

4. It was perhaps unfortunate that the Sudan Government had chosen this moment to put forward constitutional proposals.

5. The State Department had recently had no substantial indications of the views of other Arab states regarding Command proposals. He commented that French action in Tunisia would not make things easier.

6. Pakistanis' suggested Islamic conference not making much progress. Turkey, Lebanon, Afghanistan and, he thought Jordan were opposed. State Department had no enthusiasm for the idea which could in no sense be regarded as effective substitute for the Middle East Command, particularly as any organisation initiated by Arab countries would certainly exclude and tend to be aimed at Israel.

7. No more developments regarding military conference in London. We should wait and see for another two weeks or so before taking further action.

DEPARTMENT OF EXTERNAL AFFAIRS

CABLEGRAM.

-2-

I.5251.

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A/MIN. AND DEPT. E.A.
MIN. AND. DEPT. DEFENCE,
P.M'S.

6th April, 1952.

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper

Published at

File No.

250/10/5/14

Date 26/3/52

**BRAZILIAN TITOISTS
FORM A NEW PARTY**

Police Raids on Birthday of
Reds Uncovers Manifesto
Renouncing Moscow Line

By SAM POPE BREWER

(Special to THE NEW YORK TIMES)

RIO DE JANEIRO, March 25—
A split among Brazil's Communists was confirmed by the founding of a new Titoist Brazilian Revolutionary party. It was reported today on the thirtieth anniversary of the founding of the Communist party in Brazil.

All the police and military security services were on the alert for possible trouble to mark the anniversary. A big program for an unspecified "subversive action" was said by the press to have been thwarted by the police precautions.

Actual manifestations in Rio de Janeiro amounted to the setting off of a few fireworks "bombs" in lightly guarded suburban districts and the painting of a few Communist slogans on walls before daylight.

Four persons were arrested for painting slogans and large amounts of propaganda material was seized in a number of raids.

The manifesto of the new Titoist party—which presumably would be just as illegal as the Communist party in Brazil—was among documents seized by the police. It seemed to confirm reports of a real split among Brazil's red leaders. It was signed by Jose Maria Crispim as "secretary general" and said: "The great aims of the Communist party of Brazil were stultified at the moment when its political line was subordinated to the interference of the Kremlin. It called Brazil's leading Communist, Luiz Carlos Prestes, a 'sectarian adventurer.'

Crispim has been reported to have been drummed out of the party two months ago for refusing to agree that Brazil's Communists owed their first allegiance to Moscow. Both Crispim and Prestes are in hiding.

The new party's slogan was given as "Brazil for the Brazilian Proletariat." It apparently is a pure Titoist movement preaching communism but putting the interests of the Brazilian Communists above those of the Cominform.

The military police continued their investigations meanwhile of eighteen sergeants and one corporal arrested as Reds but refused to confirm a report that one officer had been arrested.

DEPARTMENT OF EXTERNAL AFFAIRS.

CABLEGRAM.**RESTRICTED.**

MS - MC

I.3251.

Dated 1st March, 1952.
 1614.
 Recd. 3rd March, 1952.
 0830.

FROM:
 Australian Embassy,
WASHINGTON.

RECORDED
 P
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 1952

SECRETARY
 A.S. (C.N.)
 A.S. (G.D.)
 A.S. (Admin.)
 (L. & T.)
 U.N.
 Tech. Ass.
 E.R.
 Pao.
 West.
 Central.
 C.I.A. P.O.

WA

299. RESTRICTED.EGYPT.

State Department says Maher's resignation not unexpected but have no other comments at present. We understand from British Embassy that Farouk had become dissatisfied with Maher and felt he had not been firm enough with Ward.

MIN. & DEPT. E.A.
 " " DEFENCE.
 P.M.'S.

3rd March, 1952.

950/10/5/14

Kurt.

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

*Name of Paper**Published at**The Canberra Times
Canberra*

File No.

Date

250/10/5/14
16/2/52

U.K. MAY MODIFY STAND ON SUDAN

250/10/5/14

LONDON, Friday.

Unofficial Egyptian sources, described by Reuter as reliable, said in Cairo last night that Britain had told Egypt she is willing to recognise Farouk as King of Egypt and the Sudan—subject to certain provisions.

These were that the present condominium rule remained operative under the existing administration until the Sudanese were able to decide their own future.

Egypt has offered to pay a maximum of £5 million in damage claims to nationals of 15 foreign countries whose property was destroyed or damaged in the bloody Cairo rioting on January 26.

More than 40 persons were killed and many foreign-owned business places were destroyed during the rioting.

The offer was made in identical notes in which Egypt assured the 15 protesting nations of her "firm determination to restore public order and tranquillity everywhere, to pursue relentlessly the instigators, and to recreate that atmosphere of calm and security necessary for everyone to resume peacefully his normal activities."

The notes were sent to the U.S., France, Switzerland, Austria, Argentina, Brazil, Sweden, India, Belgium, Italy, Greece, Turkey, Persia, Poland, the Netherlands.

It is understood that a different note was sent to Britain.

The notes to the 15 countries said that the authors and instigators of the January 26 riots, "wished to exploit public demonstrations which took place in Cairo on the morning of the same day in disapproval of bloody incidents which occurred the previous day at Ismailia."

The Egyptian Government declared that the object of this exploitation was the execution of "a sinister plan to spread terror and devastation in the realm's capital" in support of the instigators' subversive plan of action.

The notes added that without waiting for the results of court cases on damages, the Egyptian Government had decided upon a credit of £5 million (Egyptian money) in aid of wrecked establishments.

The Premier, Aly Maher Pasha, meanwhile has ordered the Cairo and Alexandria Universities to remain closed for a further undetermined period.

It is also reported from Cairo that Cairo's curfew may be cut down next week to six hours, beginning at midnight.

According to the Arabic newspaper, "Al Abram," the Egyptian Premier is studying the possibility of a Middle East Defence Pact completely conforming to United Nations patterns as part of any settlement with Britain.

DEPARTMENT OF EXTERNAL AFFAIRS.

CABLEGRAM.

SECRET.

W:HG

I.2110

FROM:

Sent: 7th February, 1952.
2115
Rec'd: 9th February, 1952.
0830Australian Embassy,
W A S H I N G T O N .182. SECRET.Addressed External Canberra 182 repeated
to Australian High Commissioner's Office, London 25.

Egypt.

London's 544. Lewis Jones was informed. They feel things are developing reasonably well and they consider Mr. Eden's statement of 5th February clearly demonstrated the will to negotiate.

Jones said he had nothing fresh to communicate to us. He volunteered no information regarding compromises over the Sudan suggested in London's 24.

Stabler is due to return in two or three days but we formed the impression from discussion with Jones that his reports will not substantially affect the policy line already decided on.

MIN. & DEPT. E.A.
P.M.'S

9th February, 1952.

KWA
RWS
25/10/514

Kurt

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DEPARTMENT OF EXTERNAL AFFAIRS.

CABLEGRAM.

SECRET.

I.2110

FROM:

Sent: 7th February, 1952.
2115
Rec'd: 9th February, 1952.
0830Australian Embassy,
W A S H I N G T O N.182. SECRET.Addressed External Canberra 182 repeated
to Australian High Commissioner's Office, London 25.

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16HR

90/10/5/14

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MIN. & DEPT. E.A.
P.M'S

9th February, 1952.

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper *U.S. News* File No. *250/10/5/14*Published at *Australia* Date *4/2/52*

13.

WEEKLY OPINION SUMMARY

(Weekly survey of American public opinion on international topics prepared by the Department's Division of public studies.)

950/10/6/14
 MIDDLE EAST: Ever since the outbreak of the Iranian oil crisis in the spring of 1951, U.S. press and radio observers have shown much anxiety and concern over the Near and Middle East. The succession of troubles in Iran, Egypt, Tunisia and elsewhere have brought this concern to a high level. The commonly accepted view today is that, for better or worse, a tide of unrest and nationalism is rising in this whole area and that the old role of the Western powers is being radically overhauled.

There is much evidence that in this situation U.S. commentators are torn between two broad views. On the one hand, they believe that the Middle and Near Eastern area has tremendous strategic importance for the security of the free world and that it is therefore important that the Western powers retain their influence there. On the other hand, in accordance with a traditional American principle, there is considerable sympathy with the rising nationalism in the area and with the efforts to assume complete sovereignty over national affairs.

This prevalence of U.S. public opinion was well illustrated in the Iranian situation. There commentators were much concerned that the nationalization of the oil might result in the loss of Iran's rich deposits to the West; yet at the same time they sympathized with Iran's desire to gain a larger share of the benefits of their oil production. In Egypt, U.S. observers reacted unfavorably against Egypt's denunciation of her 1936 treaty with Britain and defended Britain's position on both strategic and legal grounds. But during the past few weeks there has emerged a view -- not necessarily dominant but fairly often expressed -- which has

been more sympathetic to the Egyptians and somewhat unhappy over the British tactics.

Some U.S. commentators have advanced proposals for dealing with the difficult problems in the East, such as greater emphasis on economic aid, closer cooperation with the more stable protalitarian elements, etc. But on the whole, commentators are perplexed as to how to deal with the situation. As Ernest Lindley put it this week in Newsweek, "The lack of second-guessing" about events in this area is probably due to the Americans' unfamiliarity with this part of the world. "But it implies also an awareness that some difficulties are not easily solved and that there are limits to our ability to control the behavior of other nations and peoples....there are situations in which we can't do much except to keep calm, urge restraint on others, and hope for the best."

Name of Paper *The Sunday Herald* File No. 250/10/5/14

Published at Sydney Date 3/2/52

U.S. Policy Fails To Grasp Nettle

250/10/5/14

From Our Washington Office

AMERICAN POLICY in the Egyptian crisis is both hard and soft. It is hopeful that things will right themselves without strong commitment of any kind by the United States.

IT suffers from inability to grasp the nettle of an overall Middle East problem. It is in agreement and disagreement with the British.

In fact, it is the sort of policy that may well result in the loss of one of the world's most vital strategic areas.

In this it is a baffling contradiction of America's action in Korea.

Walter Lippmann, in one of his most discerning political analyses, said recently: "If Iran or Egypt were being attacked by the Russians, if Indo-China were being attacked by the Chinese, it would be extremely unpleasant, but we would know what had to be done. We would be doing it. But to have boiling trouble without the Russians or Chinese committing open aggression seems to have caught Acheson short not only of a policy but even of a ringing declaration."

It would be a mistake to conclude that Lippmann is intimating that current Middle-Eastern and Moroccan troubles are necessarily Communist-inspired. They may or may not be.

Thinking "Blank"

The point he is most concerned in making is that while world affairs at this crucial time demand a workable and working global foreign policy, there is a strange blank space in American official thinking on one of the most important areas of the earth.

America's officially announced attitude towards the present Egyptian crisis is highly uncomplicated and fragile.

It is that Egypt and Britain should adjudicate their difficulties and there should be no violence like the Ismailia fighting and the Cairo rioting, because—like the clergymen in the late President Coolidge's famous story about a sermon on sin—the State Department is against it.

The whole question of the Suez Canal and Egypt's demands on Britain should be resolved, the United States says, by including Egypt on a basis of full equality with Britain, the United States, France and Turkey in a contemplated Middle East Command.

If such a proposal can be considered the only really constructive and operative device yet advanced to solve the Middle East situation, then it is also obvious that it was made too late. Possibly an offer 18 months ago to create a Middle East Command with the Arab States well integrated into it and existing treaties revised to conform to a newer and broader understanding status in international arrange-

ments made for this purpose (a Middle East Command for instance).

• There is a suspicion of British motives in the Middle East for two reasons. First, Britain still wants to exploit its natural resources for a greater share of the profits than she is prepared to give to the owners of these resources; second, Britain wishes to revivify her one-time hegemony in the Middle East, now on the wane. A Britain supreme in the Middle East would be a Britain again in possession of her one-time Imperial glory achieved by other means.

It follows that with such a viewpoint American policy-makers simply cannot devise a workable and working Middle East policy.

Walter Lippmann, in concluding his analysis, says: "We should be thinking out . . . what are to be our relations with the old Imperial regions of Asia and Africa."

That means America must determine once and for all what her attitude must be towards a Britain once powerful in Persia and Egypt for example and a France once powerful in Syria and Morocco.

If Britain and France are to get out, aside from the material losses these countries would suffer as a result, who is to take over the immediate policing still necessary?

Whatever the faults of the British and French administration in these regions, this administration was paid for dearly, with costly armies and navies.

The United States is hardly ready to pay that price.

U.S. "Shuffling"

As a consequence, American policy has had a shuffling character about it.

On the one side it has attempted to induce Britain to accept its ideas of self-determination for the peoples concerned.

On the other hand, it has shuddered back when it became clear what it would mean to give these areas self-determination: Russia would immediately self-determine them into the Russian bag.

Thus American policy in still another variation of its shuffle offers its "good offices" in both the Persian and Egyptian disputes in the hope that the time for decision can yet be deferred.

But this shuffling is not even buying time. As Lippmann says: "Enough has happened lately to put our planners in the State Department and Pentagon on notice that they must be ready with another set of plans besides the ones they're now using."

Name of Paper

Public at

File No.

250/10/5/14

Date 1/2/52

Egyptian Has Talks With 4 Powers

250/10/5/14

LONDON, Jan. 31
(A.A.P.) — The new Egyptian Prime Minister, Ali Maher Pasha, held a series of conferences yesterday with the Ambassadors of Britain, France, the United States and Turkey.

These are the four Powers that proposed on October 13 the creation of an Allied Middle East defence command and invited Egypt to join them in its formation as an equal partner.

Two days later Egypt rejected this invitation and abrogated the 1936 Anglo-Egyptian Treaty.

Yesterday, however, according to a British Embassy spokesman in Cairo, Egypt's new Premier took a conciliatory tone towards Britain's Ambassador, Sir Ralph Stevenson.

This followed Maher Pasha's statement on Tuesday to a "News Chronicle" correspondent that he was "ready to discuss a Middle East command with the four Powers."

In Washington yesterday the U.S. Secretary of State, Mr. Dean Acheson, said that the four-Power proposals were not a "take it or leave it" proposition.

He added that the United States would welcome any opportunity for a discussion of the proposals.

The United States had repeatedly stated very clearly that there was no basis for Egypt's unilateral denunciation of her treaty with Britain, he said.

The Admiralty announced yesterday that ships of the Home Fleet would visit Malta about March 15 for combined exercises with the Mediterranean Fleet.

About 30 ships of the Home Fleet are at present exercising off Gibraltar.

The Mediterranean Fleet normally steams to Gibraltar for exercises. Naval experts believe that the Suez Canal situation is the reason for the switch to Malta.

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name - Paper

A.C.B. No. 24

File No.

250/10/5/14.

Published at

Sydney

Date 29/1/52

44. U.S. NOTE MEDIATING ANGLO-EGYPTIAN DISPUTE

Washington, Jan 29 -- ^{250/10/5/14} The United States is not mediating the Anglo-Egyptian dispute and at present is not contemplating any move in the way of mediation.

U.S. State Department Press Officer Michael J. McDermott emphasized this fact today. He added that the United States has not been asked to mediate the dispute.

He also said that he knew of no move to submit to the new Egyptian Government the Four Power proposal for a Middle East Command which was rejected by the former Egyptian Government.

The statement was made in reply to questions concerning a news dispatch from Egypt quoting an Egyptian source as saying that the next move in the differences between that nation and Great Britain would come from Washington.

"Suggestions that the United States is mediating or will mediate in the Anglo-Egyptian dispute in any formal sense are pure speculation and nothing more," McDermott said.

The U.S. Government is in close touch with both governments on the question and is using its good offices "to the extent that is possible at the present time," he said, and is urging both sides to exercise moderation in an effort to stop rioting and bloodshed.

The Department spokesman pointed out that the United States is a party to the Four Power proposals and said he did not think that a party to the proposals can mediate. He declined to rule out the possibility of mediation but added that the United States had not been asked to mediate.

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper A.C.B. M-23- File No. 250/10/5/14
Published at Washington Date 24/1/52

17. U.S. DECLINES TO COMMENT ON EGYPTIAN SITUATION

Washington, Jan 28 -- The U.S. State Department today withheld comment on the appointment of a new Prime Minister in Egypt.

Department Press Officer McDermott told newsmen he had no new information on the Egyptian situation. He declined to comment on the change in Government in Cairo.

He said he was glad that quiet has been restored in Cairo, scene of rioting Saturday.

The spokesman said that Jefferson Caffery, U.S. Ambassador to Egypt, had protested by note Saturday the destruction of American property in the rioting.

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper *The Age*
Published at Melbourne

File No. 250/10/5/14.
Date 29/1/32

U.S. Urges Restraint in Egyptian Crisis

"The Age" Correspondent [250/10/5/14]

WASHINGTON, Jan. 27.—American officials in Washington feel the latest outbreak of fighting in Egypt has destroyed the last chance of negotiating a settlement of the issues in the present Anglo-Egyptian disputes.

According to the United Press, the U.S. Government has instructed its representatives in both Britain and Egypt to urge restraint upon both Governments.

But, according to one official, the State Department had no hope of stepping in the Suez dispute in the role of mediator.

United States diplomats in London and Cairo were told to impress upon the British and the Egyptian Governments the grave danger of a large-scale flare-up in the Arab world resulting in the Suez canal falling into the hands of an "enemy."

Although the State department made no statement on the new outbreaks, the department had said earlier it supports Britain's claims.

Many American officials are convinced Egypt could have avoided the "insane" riotings if she had taken a more moderate attitude and approved plans for Egypt's participation in the Five Power Middle East Command.

The State Department said yesterday that no plans had yet been made for evacuating an estimated 1700 Americans at present in Egypt, but added that the crisis was being watched carefully to determine whether protective measures should be taken.

A spokesman declined to say what "protective" measures would be contemplated.

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper

Published at

File No.

Date

250/10/57/14

25-1-52

**NO STATEMENT
ON U.S. AID TO
U.K. IN EGYPT**

WASHINGTON, Thursday.
 The United States Secretary of State, Mr. Dean Acheson, yesterday declined to indicate whether the U.S. would meet the British request for assistance in the defence of the Suez Canal area.

He told his weekly Press conference that the U.S. had taken "a public position" on that issue in the four-power proposals for a Middle East Defence Command.

The United States was most eager for a solution of differences holding up the proposed creation of a six-nation all-European army.

He most earnestly hoped his talk yesterday with the Premier of the Netherlands, Mr. William Drees, would make an agreement possible.

At present, France, Italy and Western Germany are pressing for a more centralised European defence force than the Netherlands, Belgium and Luxembourg are willing to accept.

In response to a question, Mr. Acheson discouraged any idea that Western Germany might be brought into the North Atlantic Pact as a 16th member.

Mr. Acheson made these other points:-

The United States had been unable to work out a satisfactory military aid pact with Persia because the Prime Minister, Dr. Mossadeq, was objecting to conditions tied to this aid.

Negotiations were still going forward through Mr. Loy Henderson, U.S. Ambassador to Tehran.

It was completely untrue that American forces were giving aid to Chinese Nationalist elements reported to be scattered throughout Northern Burma near the South China frontier.

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper The Times File No. 250/10/3714
Published at Canberra Date 24-1-57

**NATO NOT IN
SUEZ AREA** 250/10/3714

WASHINGTON, Wednesday.
An attack by Egypt on British troops in the Suez Canal Zone would not involve other North Atlantic Treaty nations, United States Secretary of State, Dean Acheson, told a Congressional Committee.

This was disclosed when the Senate Foreign Relations Committee made public secret testimony given at a recent private session of Greece and Turkey to the Atlantic Pact.

Mr. Acheson said the Treaty referred to occupation forces in Europe and did not cover any forces in the Suez area.

Senator Bourke Hickenlooper (Republican, Iowa) then asked why British forces guarding the Suez Canal would not be considered occupation forces and why an invasion or attack on them would not invoke the treaty.

Mr. Acheson replied, "It would not invoke the treaty. They are not occupation forces and not in Europe."

The Committee urged prompt Senate ratification of admission of Greece and Turkey to the Atlantic Pact.

Name of Paper..... *The Times*.....
 Published at..... *Canberra*.....

File No. *250/10/5/14*
 Date *24-1-54*

Egyptian Warning To Five Nations On Reply To U.K. Aid Request

250/10/5/14 CAIRO, Wednesday,

The Egyptian Government to-day published the text of its warning to the United States, France, Norway, Sweden and Holland on Saturday, January 19.

The warning was against sending naval forces to the Suez Canal Zone in response to the British request.

The Egyptian aide memoire said:

"The Egyptian Government will consider as an unfriendly act, if not as a hostile act towards Egypt, by any third party, which would send warships to the Canal Zone allegedly to assist free navigation through this waterway."

"The Egyptian Government cannot tolerate such a move, which it would regard as direct participation in British aggression in the Canal Zone."

ISMAILIA SEARCHES CONTINUE

British paratroopers to-day cordoned off and began to search two more Arab settlements in Ismailia for hidden arms and gunmen.

Before dawn of the 16th Parachute Brigade started to search a mile square east of the Moslem cemetery where 20 tons of arms were found yesterday.

In London to-day the Foreign Office said that the Egyptian authorities had refused to co-operate to protect vacated Ismailia houses.

The announcement said the Egyptian authorities thereby disqualified themselves from accepting or putting forward owners' complaints alleging loss or damage.

The Egyptian Governor of Ismailia to-day declared that the

presence of British forces was preventing him and his police from maintaining law and order.

At a Press conference, the Governor, Ali Helmy Bey, told British and American correspondents:

"I would like to do my job as a man who is responsible for public security, which includes controlling terrorists in the town."

"But the presence of British troops in Ismailia and at the entrances to the town prevent me doing anything."

"I would like to do my duty, but there cannot be two authorities maintaining order in the town."

The regular and legal authority is the police force, but they are unable to carry out their duties since the British entered the town."

"DAUGHTERS OF NILE" TAKE CHARGE

In Cairo to-day business was brought to a standstill in Barclay's Bank when Madame Doria Shafik and a dozen members of her organisation, "Daughters of the Nile" picketed the building.

The organisation was campaigning for economic boycott of the British.

The "Daughters of the Nile" refused to allow anyone to enter

or leave the head office of the bank.

Cairo's main streets were crowded with "Liberation" units, students and spectators during the boycott.

A lorry-load of police rushed to the scene, pushed their way through the big crowd, and took the women away in the lorry.

Bank business was resumed an hour and a half later.

DISPUTE OVER DEATH OF NUN

Lieut-General Sir George Erskine, British Commander in Egypt, said to-day that the Mother Superior at the Convent of Saint Vincent de Paul, had denied telling Egyptian authorities she believed Sister Anthony was killed by a stray British bullet.

General Erskine said she told him at the nuns funeral that the Egyptian claim was "a falsehood."

The Egyptian Government had issued a special communiqué stating it had been proved beyond doubt at an open inquiry that American-born Sister Anthony had been killed by a British soldier.

origin of the shot which killed Sister Anthony.

British paratroopers have ringed the cemetery area of Ismailia with machine-guns, anti-tank weapons, tanks and armoured cars.

Another gunman was captured in the Moslem part of the cemetery, but yet another is believed to be still lurking in underground passages which honeycomb the

National Archives of Australia

NAA: A1838, 250/10/5/14 PART 1

Five Nations On Reply To U.K. Aid Request

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General Erskine said she told him at the nuns' funeral that the Egyptian claim was "a falsehood."

The Egyptian Government had issued a special communiqué stating it had been proved beyond doubt at an open inquiry that American-born Sister Anthony had been killed by a British bullet.

The communiqué declared that the Mother Superior had testified that there was not a single Egyptian civilian inside the Convent when Sister Anthony was shot dead last Saturday.

The American Ambassador in Cairo, Mr. Jefferson Caffery, said that no conclusion had yet been reached by the Embassy on the

origin of the shot which killed Sister Anthony.

British paratroopers have ringed the cemetery area of Ismailia with machine-guns, anti-tank weapons, tanks and armoured cars.

Another gunman was captured in the Moslem part of the cemetery, but yet another is believed to be still lurking in underground passages which honeycomb the

Name of Paper.....

Published at.....

The Age

File No.....

Melbourne

Date.....

250/10/5/14

22-1-52

GUN BATTLE WITH TERRORISTS

ISMAILIA, Jan. 21 (A.A.P.)—Egypt has promised a full and immediate investigation into the killing of an American nun during Anglo-Egyptian fighting in this uneasy Suez Canal zone town.

The United States Embassy in Cairo today said Egypt's acting Foreign Minister, Mr. Ibrahim Farag, had made the pledge to the American Ambassador, Mr. Jefferson Caffery.

The announcement said Mr. Caffery had called on Mr. Farag to express his "grave concern over the tragic death of Sister Anthony" at the Sisters of Charity Convent on Saturday.

The United States Embassy and British military and Roman Catholic headquarters, have launched inquiries into the Arab town at Ismailia to first American death since day. Egypt began trying to expel British forces from the canal zone late last year.

The British and the nuns said Egyptian terrorists murdered New York-born Sister Anthony, 52, when she tried to prevent them from hurling their bombs in the convent grounds.

The Egyptians said she was killed by British troops.

British troops fought a gun battle with Egyptian

the tombs opened fire with rifles and Sten guns.

The town of Ismailia slept uneasily on Sunday night, with British troops in battle positions in barricades and trenches on the edge of the Arab quarter.

A British military court of inquiry will investigate within a few days the killing of Sister Anthony.

A British military spokesman said today the inquiry would not be public, as its findings would have no legal status.

He added the court would consist of a president and two officers.

One British officer was seriously wounded. Four Egyptians were killed and five others captured.

British troops forced open tomb and found it an arsenal of heavy ammunition—more than 2000 rounds.

Fighting broke out when the British troops moved into the cemetery to cordon it off in the course of their house-to-house search of Arab town.

Terrorists hidden among

Name of Paper

Published at

File No.

Date

IBN SAUD URGES 4-POINT PLAN FOR EGYPT

CAIRO, Monday.

250/10/5/14
 A four-point plan for settlement of the Anglo-Egyptian dispute has been proposed King Farouk by King Ibn Saud, of Saudi Arabia.

The plan was made after King Ibn Saud had secret correspondence with President Truman.

The Cairo newspaper, "Rosa El Yussef," which reported this today, said the plan was:

(1) Evacuation of British troops from the Canal Zone.

(2) Recognition of the unity of Egypt and the Sudan.

(3) America to arm an Egyptian armoured unit of 30,000 free of charge.

(4) Egypt to join the Middle East Command after amendments which she wants to "increase co-operation with the United States, especially to combat Communism."

Meanwhile, "all quiet" was reported from the Canal Zone trouble spot of Ismailia today, but terrorists were busy on the opposite bank of the Sweetwater Canal.

Investigation Into
 Egypt has promised a full and immediate investigation into the killing of an American nun during Anglo-Egyptian fighting on Ismailia.

The British and the nuns said Egyptian terrorists murdered New York-born Sister Anthony, 52, when she tried to prevent them hurling bombs in the convent grounds.

The Egyptians said she was killed by British troops.

In London today details of a note to Egypt were published.

The note was delivered in Cairo on Saturday, and protested "most vigorously" against six incidents in the first week of December.

It said it held Egypt responsible for the brutal murder of

Gangs of thugs opened heavy and accurate fire on a British guardpost at the Suez bridge spanning the canal, and on British positions near the United Services Club about a mile away.

British troops replied with anti-tank weapons, three-inch mortars and Bofors guns.

The firing continued for about 90 minutes before the terrorist gunners were silenced.

In Alexandria police fired shots into the air, and threw a tear gas bomb to disperse large crowds of secondary school students.

The students attempted to demonstrate in the streets today.

They stoned police who barred their way, but no casualties were reported.

Shooting of Nun
 a British major and the deaths being "inaccurate and tendentious."

"Ill-disciplined, uncontrolled Egyptian police, probably of an auxiliary force, engaged in deliberate attacks on British troops going about their normal duties," it declared.

The note said there was little doubt the actions were endorsed by the Egyptian Government.

Name of Paper

Published at

The Kerala
JyothyFile No. 250/10/5/14
Date 22-1-52

EGYPT PROMISES TO INVESTIGATE Killing Of U.S. Nun

250/10/5/14

LONDON, Jan. 21 (A.A.P.)— Egypt has promised a full and immediate investigation into the killing of an American nun during the fighting in the Suez Canal Zone town of Ismailia.

The U.S. Embassy in Cairo to-day said Egypt's Acting Foreign Minister, Mr. Ibrahim Farag, had made the pledge to the American Ambassador, Mr. Jefferson Caffery.

The announcement said Mr. Caffery had called on Mr. Farag to express his "grave concern over the tragic death of Sister Anthony" at the Sisters of Charity Convent on Saturday night.

FIRST AMERICAN DEATH

The U.S. Embassy and British military headquarters have launched inquiries into the first American death since Egypt began trying to expel British forces from the Canal Zone late last year.

The British headquarters said Egyptian terrorists deliberately shot Sister Anthony, 52, when she tried to prevent them from hurling their bombs in the convent grounds.

Correspondents in Ismailia of the United Press of America and the "Daily Mail" say that nuns corroborated this.

RAN TO DOOR

The Egyptians said British shot the nun.

Reuters correspondent says the Mother Superior of the convent told how the nuns tried to persuade the young terrorists not to force their way into the convent, explaining that only women and children were inside.

Each time the terrorists re-

turned, and eventually four or five forced the gates.

Sister Anthony had run to open a side door of the convent when she heard British troops approaching.

"The next we knew she had been shot. That is all we can say about the tragedy," the Mother Superior said.

The "Daily Mail" correspondent says the British have eye-witnesses to the murder. One heard an Egyptian say, "Shoot the woman down." Another heard terrorists cry, "We've got her."

A teacher at the convent said, "I saw the man who killed the nun. His eyes were those of a maniac."

British troops armoured cars, and tanks surged through Ismailia all day yesterday cleaning up and making house-to-house searches.

The Canal Zone commander, General Erskine, ordered part of the town to be occupied and the rest of it patrolled.

The only opposition to the British occupation yesterday was the throwing of two petrol bombs at an armoured car—without effect.

Forty-one Egyptians were arrested.

CABLEGRAM.

SECRET.

GG:GM

I. 1083

Dated: 19th January, 1952
 14:11
 FROM: Rec'd: 20th January, 1952
 0900

Australian Legation,
CAIRO.

which one?

26. **SECRET.**

Suez Canal.

It is true as reported in the press that His Majesty's Government have asked the United States, France Norway and Holland to assist in the operation of the Canal. In accordance with article VII of the convention of 1888 the United States of America and France have been asked to provide warships to assist the Royal Navy in the control of traffic.

and

Holland/Norway have been asked to guarantee the above warships assistance and personnel for berthing parties, etc. (my memorandum 473/51 of 14th December). Item 2 of my memorandum 11/52 of 4th January refers to reorganising the Royal Navy in the Canal.

Considered in conjunction with Churchill's appeal for token military aid in the Canal Zone the above request suggests the beginning of a general campaign to enlist the assistance of other nations.

The Canal Company has agreement with the Egyptian Government whereby the Egyptian Army personnel take over should the Company's employees go on strike but in anticipation of the Egyptian Government failing to fulfill the agreement the British authorities have arranged with the Canal Company that British Army personnel should take over in the event of a strike.

Min. & Dept. E.A.
 Defence
 NAVY Shipping and Transport.
 P.M.'s

N

20th January, 1952.

250/10/5/14

U.S. 7/13	✓
U.S. 1/1	
H. M. S.	
France	
Went	
Journal	
V.I.	
Com. & Pro.	
Admiral	
Finance	
Gen. C.	

CABLEGRAM.

250/10/5/4

SECRET.

NO -

I.957.

Dated 16th January, 1952.
 1633.
 Read. 17th January, 1952.
 0400.

FROM:

Australian Embassy,
WASHINGTON.73. SECRET.

At a meeting at the British Embassy on 15th January Burrows gave a summary of the Eden-Acheson talks last week.

1. Middle East Command. See our cable 61. Agreed no new formal approach should be made to Egypt until Farouk had chance to reconstitute the existing Government. No suggestion made on either side that substance of the original proposal be modified.

Burrows said he could not forecast when the Military Representatives would meet to discuss command arrangements. General Bradley had indicated the Americans wished the Middle East Command discussions to be quite separate from arrangements to tie up incorporation of Greece and Turkey and Admiral Carney's N.A.T.O. Command. Bradley gave the impression he would prefer the Middle East Command talks in Ankara or London not in Washington.

2. Iran. Discussion on this had been rather longer and revealed considerable difference in United Kingdom and United States political assessment of the situation. The State Department view was that things in Iran were "getting into a serious mess" and little time was left for action. They had therefore proposed that if the International Bank approach failed the United Kingdom and the United States should be ready with alternative ideas. The United Kingdom line was that the Bank should first be given a clear run and that they would go for some time longer without an Oil Agreement rather than have a bad one made quickly.

It was finally agreed not to put forward new ideas until the Bank approach further developed. Officials of the Bank would return at the end of this week and the Bank would then probably frame a reply to Mossadegh's letter. It was still likely Garner would visit Iran.

Burrows said they expected to have further talks with the State Department on Makins' return from Canada.

Min. & Dept. E.A.
Defence
P.M.'S.

250/10/5/13
250/10/5/14
250/10/5/14

17th January, 1952.

W

CABLEGRAM.

SECRET.

::PM,

I. 890.

Dated: 8th January, 1952.

FROM:

Recd.: 16th January, 1952.
1615.Australian High Commissioner's
Office,
L O N D O N .E.A.82. SECRET.Egypt.

United States Ambassador, Cairo, has informed Stevenson of meeting with Hafez Afifi Pasha on 3rd January, when latter said that dismissal of Wafd would mean that they would join forces with extremists with resultant chaos, that a new Government would have to be even more intransigent with United Kingdom than the Wafd unless United Kingdom produced some "rosy new proposals" and finally that neither present nor any other Government could negotiate on defence proposals without Anglo-American recognition of King's title as King of Sudan.

2. On 5th January, Afifi called on Stevenson and told him that Farouk had studied the summary of the message conveyed to him through Afifi (C.R.O. telegram W.187). King did not express any definite views but Afifi gathered from other conversations that he was in general agreement with this appreciation and was thoroughly dissatisfied with present Government.

3. Afifi expressed personal view that Wafd Government was not in a position to negotiate fruitfully and that a change was necessary. He has not, however, made up his mind on question of timing. Wafd were steadily losing ground and if this were allowed to go on indefinitely there would be no difficulty in getting rid of them. On other hand situation was too dangerous to allow of much delay as the longer Wafd stayed in power, the more difficult it would be for any succeeding Government. Their nuisance value in opposition would be very great. Furthermore, present Chamber would not support any Government which did not have Nahas Pasha at its head. A dissolution of Chamber and an interim Government therefore seemed to be necessary. In that event, it would be necessary to make sure that succeeding elections did not result in another Wafdist majority, otherwise King would be forced to take extreme step of making coup d'état and governing by military dictatorship. Afifi said that he was still studying situation and would probably make up his mind in course of next week or so as to advice which he should give King.

4. Afifi said that in order to break present deadlock some offer on Sudan would have to be made at the same time as an approach on defence question. In this the King's title was of paramount importance. Afifi suggested the Sidky-Bevin formula of 1946 but Stevenson replied that there had since been five years of political evolution in Sudan and it was now impossible to accept any formula changing status of Sudan without consulting Sudanese. Afifi agreed to study again the British proposals of 13th October. He stressed that Wafd Government should not be led to believe that United Kingdom was anxious to negotiate with them and for that reason Nuri Pasha should

...../be

g5t/10/5/14

DEPARTMENT OF EXTERNAL AFFAIRS.

CABLEGRAM. I. 896 **SECRET.**

be persuaded to desist from present efforts to being parties together. Equally there should be no further statements for the present by either United Kingdom Government or military authorities in Canal Zone. It would be well if United Kingdom had some offer ready to make after change of government. It was vital that it should not be thought that King had got rid of Waif at British instigation.

5. Stevenson said that he had gathered from United States Ambassador that in Afifi's opinion there was no intention of dismissing Wafd. Afifi said that all he had meant to convey to United States Ambassador was that time had not yet come. He maintained his view that a change was necessary.

6. Stevenson has since discussed with United States Ambassador their respective interviews with Afifi and they have both found it difficult to understand the wide difference of emphasis between the two. Allowing that Afifi would be inclined to talk with United States Ambassador to stress concessions required from United Kingdom, Stevenson still felt that Afifi's attitude towards Wizard Government had changed radically between 3rd and 5th January and thought this might have been due to further talks Afifi had had during those two days, including perhaps a talk with King.

Min. & Dept. E.A.
P.M.'S.

17th January, 1952.



DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Broadcast from ABC
Name of Paper..... File No. 250/10/5/14
Published at..... 12 - 30 Pm Date 17/1/52

150/10/5/14
In Paris last night the Egyptian spokesman said Egypt would regard as hostile any assistance given to Britain by any other power to keep the Suez Canal open. Egypt would send notes to this effect to the U.S., France, Norway and Holland. If any of these powers sent war ships to the Canal Egypt would appeal to the U.N. against an act of aggression. One thousand British troops raided two Egyptian villages in the Suez Canal Zone and searched them for terrorists last night. Five Egyptian policemen were killed and one wounded while resisting the British advance. One British soldier was wounded.

CABLEGRAM.**SECRET.**

MG:GM

I. 21693

Dated: 29th December, 1951
 1105
 FROM: Rec'd: 30th December, 1951
 1000

Australian Embassy,
WASHINGTON.

2159. SECRET.

Egypt. Our 2142.

Following is summary of talk with Stabler today:

1. It would be unwise to build up hopes of a change in Egyptian policy because of Farouk's recent appointments. The effect, if any, could only be long term.
2. United Kingdom hoped that Nahas Ministry would fall and be replaced by a Ministry with which they could do business. The State Department felt that no matter what Ministry came in it could not undo what had already been done and the British would be little, if at all, nearer to solving their problems by just waiting.
3. They did not know whether the British Ambassador had seen Farouk yet to discuss reopening the Middle East Command proposals and doubted whether any real progress would be made.
4. Stabler felt the Egyptians regarded agreement on the Sudan as a fundamental part of any long term settlement with the British.

Our impression is that the State Department consider the United Kingdom tend to count too much on Farouk's influence and to under estimate Egyptian national feeling (reflected in the present Ministry) on the issue of British troops remaining in Egypt.

Min. & Dept. E.A.
 P.M.'s

30th December, 1951.

20/10/51/4

Mr. K.	
Mr. T.	
Mr. H.	
Mr. A.	
Mr. (A.S.M.)	
C.M. (L & I)	
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Mr. A.	
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China	
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DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper.....

File No.

Published at.....

Date 11/10/51

By STEWART ALSOP

CAIRO.—In a city such as this, it is difficult not to give way to a sense of despair.

FOR here, in this curious, unpleasant atmosphere it sometimes seems that the isolationists are right: that we should retire into our continental Gibraltar, eat our lotus leaves while we may and await our inevitable end.

Given a good deal more shrewdness and foresight than London and Washington, the isolationists displayed in these parts, the situation might be glued together here so that it can be rendered more or less manageable for a time.

But only for a time — and what happens after that?

The plain fact is that this is an essentially revolutionary situation. It is true that Americans are up to their ears in misery by the antithetic contrast between wealth and poverty in such places as Egypt (a contrast to which those from the "capitalist, reactionary" United States are far less accustomed than Europeans).

The very few own everything

It is true that this contrast has existed since the time of the Pharaohs. Yet the essential fact remains.

The structure of society here—the ruthless exploitation of the many by the very few who own all the land and therefore all the wealth—simply cannot stand up indefinitely.

For all sorts of technological and political reasons, some sort of basic and probably violent change is inevitable here.

In such a situation, those who stand for violent change are likely ultimately to profit, while those who seem to stand for things as they are will surely lose.

Under the above formula, the Soviets will profit and the West

DEPARTMENT OF EXTERNAL AFFAIRS.

CABLEGRAM.

SECRET.

.../MG

I. 20462

Dated 26th November, 1951

FROM:

Rec'd 4th December, 1951
0430Australian High Commissioner's
Office,
LONDON.Saving E.A. 66. SECRET.

From External.

Egypt.

The British Ambassador, Cairo, has suggested that although Egyptian anxieties on the possibility of oil sanctions being reimposed should be kept alive, such reimposition would not hasten the fall or modification of the present Government, and would be regarded with equanimity by the present Egyptian Foreign Minister.

2. The British Ambassador is receiving solid support in Cairo from his American colleague, who has made it clear to the Egyptians that the United States Government is 100 per cent behind H.M.G. in maintaining the security of their base in the Zone.

A/MIN. & DEPT. E.A.
MIN. & DEPT. DEFENCE.
P.M.'S.

5th December, 1951

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950/10/5/14

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AUSTRALIAN EMBASSY.
WASHINGTON, D.C.

Confidential

29th November 1951.

Memorandum No. 3076/51.

Memorandum for:

The Secretary,
Department of External Affairs,
Canberra. A.U.T.

EGYPT AND THE MIDDLE EAST.

I refer to our telegram No. 2032 dated 28th November reporting on a discussion with Mr. Wells Stabler, Acting Deputy Director of the Office of Near Eastern Affairs.

Mr. Stabler made it clear that the State Department line, for the immediate future at any rate, is one of hoping that time will prove a healer and that the Egyptian Government will become more reasonable. For this reason the State Department will deprecate attempts by any country to put pressure on Egypt by economic means.

Mr. Stabler also indicated in the course of conversation that they felt there was no doubt that the British could maintain themselves in the Suez Canal Zone. The position therefore remained much the same as it had been two weeks ago with minor clashes between British troops and Egyptians. Further, the good discipline maintained by Egyptian crowds and the capacity of the Egyptian police to keep order (to which Stabler had drawn attention in earlier conversations) was a very interesting development. This could be interpreted as showing that the Egyptian population are solidly behind their Government and are not prepared to do anything which might give the United Kingdom an excuse for saying that they had justification for taking even firmer measures.

Stabler thought the British would find it a difficult and costly business to maintain them^{selves} in the Canal Zone so far as a regular supply of labour was concerned. He thought it possible that a number of the imported labourers would desert and make it necessary for further importations to be brought in.

Copy to Central

H. McEntyre to u

John

...Stabler/

C.S.

CABLEGRAM.

250/10/5/14.

/Ld.

J. 20146.

FROM:

Dated: 19th November, 1951.
Rec'd: 28th November, 1951.
1040.Australian High Commissioner's Office,
LONDON.

Sovimp E.A. G5. CONFIDENTIAL.

The Regent of Iraq told the British Ambassador in Cairo that the Iraqi Government considered Egypt had acted precipitately and without regard for other members of the Arab League in rejecting the Four Power proposals for the Middle East Command. Taha al Hashimi had told him that if the Middle East Command would enable Iraq to increase her present army more rapidly, then she should adhere to it. Taha thought that if the Command could deal with the Arab States through the Chiefs of Staff Committee, established under the Arab collective security pact, it might make things easier.

The American Ambassador in Cairo was told by the Egyptian Minister of the Interior that the Four Power proposals would be acceptable to Egypt subject to certain important modifications -

- (a) British personnel in the base should be limited to administrative personnel and should include some Americans.
- (b) Air defence should be Egyptian in appearance. Aircraft would be flown by British personnel but would have Egyptian markings.

British and American Ambassadors consider that whilst these are the kind of modifications the Egyptians might be expected to propose, the presence of Saleh el in the Government makes it useless to attempt to re-open negotiations.

A/Min & Dept of E.A.
Min & Dept of Defence.
P.M.C. /Dept.

25th November, 1951.

Name of Paper
Published at

File No.

250/10/5/14

Date 18/11/57

U.S. Declares Farouk Not Sudan King

250/10/5/14

WASHINGTON, Nov. 17 (A.A.P.). — The State Department yesterday said that the United States does not recognise King Farouk as King of the Sudan as well as of Egypt.

Egypt last night formally notified all nations that Farouk has taken the Sudan title, in accordance with a bill passed at the same time as the Egyptian Parliament abrogated the treaty giving Britain the right to maintain troops in the Suez Canal Zone and rule the Sudan jointly with Egypt.

Threat Of Rising

The United States recently declared its support of Britain in refusing to recognise the abrogation.

The Deputy Premier of Persia, Dr. Hussein Fatemi, who is visiting the United States, said yesterday "the peoples of the entire Middle East will rise against the British if they do not change their policy there."

Persia and Egypt had the closest bonds of culture over many centuries, he said, and "at this critical moment in our history we will consolidate that heritage through spiritual and—if necessary—physical resistance to the British aggressor."

Dr. Fatemi cited recent incidents in Egypt as the "latest example of British interference with the independence of a sister nation."

He also accused Britain of stirring up increasing unrest in the Middle East.

"We Will Not Buy It"

In Paris yesterday the Egyptian Foreign Minister, Salah Eddin Pasha, made it clear in the U.N. General Assembly that Egypt has not changed her mind about refusing to join the Middle East defence command.

"Since the end of the agreement which Egypt had with the United Kingdom, the United Kingdom, in association with some other deluded Powers, tried to sell the self-same dope-filled 'broken doll' of imperialism, outwardly painted a different colour," he said.

"We will not buy it," he added.

added in a voice hoarse with emotion.

The Egyptian underground movement yesterday cut for the second time in three days all three military telephone cables between Port Said and Moascar.

Moascar exchange links all parts of the Canal Zone with British headquarters at Fayid.

Egyptians removed about 75 yards from each cable, which contain large numbers of telephone lines.

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DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper *London Times*
Published at *London*

File No. *250/10/5/14*
Date *16/10/11*

250/10/5/14
U.S. AND CANAL
WASHINGTON, Nov. 15
(A.A.P.) — Senator Robert Taft, a candidate for the 1952 Republican Presidential nomination, says in a newly published book that the United States "might have to assist in defending the Suez Canal" to keep its sea route to Africa.
His book, "A Foreign Policy For Americans," was written before the start of the present difficulties between Britain and Egypt.
Senator Taft writes: "The entire continent of Africa is connected with Asia, and certainly we might have to assist in defending the Suez Canal, as a means of maintaining our connections by sea and of defending Africa, where there are many strategic materials, valuable air bases, and a threat to South America."
"While the defence of this country is our first consideration, I do not agree with those who think we can completely abandon the rest of the world and rely solely upon the defence of this continent."
"Fundamentally, I believe the ultimate purposes of our foreign policy must be to protect the liberty of the people of the United States.
"War should never be undertaken, or seriously risked except to protect American liberty."

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper *Star from a 30th floor* File No. *250/10/14*,
Published at *12-30 P.M.* Date *10/11/57*

250/10/14
In Washington, Senator Taft, who is a Republican candidate for next year's Presidential elections, told a news conference that it must be a vital point in American foreign policy to keep the Suez canal open. He added that an Egyptian attack on Britain would not necessarily involve the US.

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper *The Age*
Public at Melbourne

File No. 250/10/5/14
Date 7/10/57

U.S. Supports U.K. on Canal Dispute

PARIS, Nov. 6 (A.A.P.)—America is reported to have given unqualified support for Britain's stand in the Suez Canal and the Sudan.

Reuters diplomatic correspondent said that the U.S. Secretary of State (Mr Acheson) told the British Foreign Secretary (Mr Eden) that America now gives unqualified backing to Britain's policy of staying in the canal zone and refusal to hand over the Sudan to Egypt.

In Cairo, the Egyptian Minister of Interior (Frag El Din Pasha) said last night that tension in the Anglo-Egyptian dispute was "still mounting."

Meanwhile, at Paris, the Egyptian Foreign Minister (Salah el Din Pasha) reaffirmed Egypt's refusal to consider joining the Middle East alliance unless Britain evacuates the canal zone and the Sudan.

Salah el Din said at present his Government had no intention of bringing the dispute either to the Security Council or the General Assembly, but

he added: "Our attitude may change according to circumstances."

In Cairo, the Secretary-General of the Seven-Nation Arab League (Azam Pasha) declared that the Arab States must reject the Four Power plan for M.E. defence.

He added that the Arabs had had a "bitter experience" with western Powers.

"That is why Egypt has rejected the proposals and the other Arab States will reject them too," he added.

A War Office report issued in London last night says: "Intimidation continues in the canal zone."

"British civilians were fired on south of Ismailia and an Egyptian cleric was beaten up in the presence of civil police, who took no action but later arrested the gang leaders.

"Shots were exchanged between Egyptian police and British troops in Port Said, and it is reported that the doors of Christians living in Old Cairo and Shubba had been marked with crosses by Moslems.

Name of Paper

File No.

250/10/5/14

Published at

Date

7/11/57

U.S. promise to Britain over Egypt

250/10/5/14

PARIS, Tues. — America has promised Britain full support in her stand on the Suez Canal and the Sudan, says Reuter.

The U.S. State Secretary (Mr. Acheson) discussed the Egyptian crisis with the British Foreign Minister (Mr. Eden) yesterday.

Mr. Acheson assured Mr. Eden of America's unqualified backing for Britain's policy of staying in the Canal zone and refusing to hand over the Sudan, Reuter adds.

At a Paris Press conference the Egyptian Foreign Minister (Salah El Din Pasha) re-affirmed Egypt's stand.

He said Egypt refused to consider joining a Middle East alliance unless Britain evacuated the Canal Zone and the Sudan.

No limit

He added that Egypt regarded the Middle East defence scheme as creating a situation worse than the 1936 Anglo-Egyptian Treaty.

It would substitute four powers of occupation for one and set no limit on the duration of the occupation or the size of the occupying forces.

[Britain, America, France, and Turkey have suggested that an Allied Middle East Defence organisation with Egypt as a member should take over the defence of Suez.]

In Cairo the Secretary-General of the seven Arab League (Mr. Azzam Pasha) said the Arab States must reject the Four-Power plan for a Middle East Defence Command.

Azzam Pasha said the Arabs had had "bitter" experience with the Western Powers.

Shots exchanged

A War Office report in London last night said intimidation continued in the Canal Zone.

A British civilian had been fired on south of Ismailia.

A gang had also beaten up an Egyptian clerk in the presence of Egyptian police, who had taken no action.

Later, however, they had arrested the gang leaders.

The announcement said Egyptian police and British troops had exchanged shots in a Port Said chase.

The announcement also claimed that Moslems had marked with crosses doors of Christians living in old Cairo and Shubra.

The Egyptian Minister for the Interior (Serag El Din Pasha) said last night tension in the Anglo-Egyptian dispute was "still mounting."

(From A.A.P.)

Name of Paper. *9m. b.*Published at. *Sydney*File No. *250/10/5/14*Date. *7/10/57*

All-out U.S. Backing *156/10/5/14* On Suez For Britain

LONDON, Nov. 6 (A.A.P.)—The British Foreign Secretary, Mr. Anthony Eden, has obtained unqualified U.S. support for Britain's stand on the Suez Canal and the Sudan dispute, Reuters Diplomatic Correspondent says in a report from Paris.

"The U.S. Secretary of State, Mr. Dean Acheson, told Mr. Eden that America now gives unqualified backing to the British policy of staying in the Canal Zone and her refusal to hand over the Sudan to Egypt," the correspondent says.

A War Office report issued in London last night says that intimidation continues in the Canal Zone.

INCIDENTS

It reports these incidents.—Terrorists yesterday fired on a British woman and a British canteen worker whose car passed through the outskirts of Ismailia but missed.

Egyptian police and British troops exchanged shots in Port Said.

Two Egyptian police officers and 20 constables looked on while a gang beat up an Egyptian clerk employed by the British. Later they arrested the gang leaders.

The homes of Christians living in Old Cairo and Shubba have been marked with white crosses by Moslems.

Reuters reports that a crowd assaulted an Egyptian foreman, employed by the R.A.F., in the main street of Ismailia.

"BITTER EXPERIENCE"

In Cairo, the Secretary-General of the seven-nation Arab League, Azzam Pasha, declared that Arab States must reject the Western plan for a Middle East defence command.

The Arabs had had "bitter experience" with Western Powers, he said.

"That was why Egypt rejected the proposals and other Arab States will reject them too."

The Egyptian Foreign Minister, Salah Eddin Pasha, said in Paris last night that Egypt will refuse to join any Middle East defence scheme as long as the British remain in Egypt.

"Egypt refuses to consider this or any other proposal as long as the British are in the Canal Zone and the Sudan," he told a Press conference on the eve of the U.N. General Assembly meeting.

"If the British forces evacuate Egypt and the Sudan, then Egypt will be ready to consider any proposal for defence and the maintenance of world peace under the U.N. Charter."

At present his Government had no intention of bringing the dispute before either the Security Council or the General Assembly, he said.

DEPARTMENT OF EXTERNAL AFFAIRS

CABLEGRAM.

SECRET.

MB/PN

1.15/50

FROM :

Australian Embassy,
WASHINGTON.Dated: 1st November, 1951
1409
Rec'd: 2nd November, 1951
10451902. SECRET.Egypt and Middle East Command.

The following information and views were obtained yesterday from Stabler, State Department.

1. He informed us that United States Ambassador in Cairo had reported conversation he had with Minister. The principal feature of the report was Caffery's emphatic statement of his concern regarding the measures taken by the British in the Canal Zone. Caffery said that United States was prepared to give strongest support to British actions to protect their legitimate interests but he personally felt that such support could not be continued if British took excessive measures, which might induce Egyptians to react with violence. He mentioned particularly the cutting off of industrial oil supplies. He thought this was intended by the British to have the effect of inducing the Egyptians to refrain from interference with labour in the canal zone. It was, however, on his judgement having the opposite effect and infuriating Egyptians resulting in increased interference.
2. Stabler informed us that Acheson would probably be discussing with (Ø) and Schuman in Paris the question of the next steps to be taken in setting up Middle East Command.
3. In general discussion on Middle East Command Stabler expressed personal views that United States likely to press for commencement of discussions between representatives of founding members as soon as possible. He envisaged such discussions taking place at Washington possibly this year. He said that he assumed invitations would cover all founding members.

(Ø) - corrupt group

A/G Min. & Dept. E.A.
P.M.'s.

2nd November, 1951

250/10/5/14.

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper... *S.M. H.S.*
 Published at... *Sydney*

File No. *250/10/5/14*
 Date. *25/10/51*



Name of Paper

Published at

File No.

950/10/5/14

Date

26/10/57

Egypt Is American Problem, Too

The Egyptian crisis presents a problem not only to Britain but also to America.

Indeed, the situation which it reveals is more puzzling, and more difficult to resolve from the American point of view than from the British one.

FOR Britain the chief importance of Egypt lies in the fact that the Suez Canal is the jugular vein of Commonwealth communications.

The security and freedom of passage through the canal is a strictly vital interest to the survival of the British Commonwealth and hence to Britain herself. To renounce it is, for Britain, unthinkable.

This by itself simplifies the problem for Britain. In matters of life and death there is no choice. The situation is straightforward for other reasons.

First, the treaties of 1936 and of 1899, which Egypt is denouncing, are not subject to unilateral abrogation—the first not before 1956, the second not at all. This gives Britain an unassailable legal case.

Secondly, on the strength of these treaties, British troops are actually stationed in the Canal Zone and in the Sudan. This gives Britain the advantage of possession.

It is not, as in Persia, a question of Britain having to give up her rights or protect them by forceful action which might be considered aggressive. It is Egypt who will have to commit physical aggression if she wants to imple-

ment her threatened treaty abrogation.

For America, none of these stern but simple considerations apply. The Suez Canal, though an important international waterway for America too, is not vital to her.

America has no special treaty links with Egypt, and she has no troops there. She is not directly a party to the dispute. She is free to shape her policy in the light of her general strategic and political interests; moreover, she can—and must—shape this policy, as it were, from scratch.

She has no continuous Egyptian policy. Indeed, she has not, so far, had a continuous and consistent North African and Middle Eastern policy. The significance of the Egyptian crisis for her is that it finally proves that she can no longer do without such a policy.

It is natural, indeed inevitable, for America to view the Egyptian situation from the point of view of her global conflict with Russia. The basis of American world policy at the present time is the containment of Russia and the creation of situations of strength at every threatened point—situations which can, at some future stage, be recognised by Russia and ratified in the form of international settlements.

This policy has so far been successful in Europe and the Pacific. It has not even begun to approach success in North Africa, the Middle East, and Southern Asia. In Europe and the Pacific, American diplomacy has succeeded in building a firm Western and Eastern front against further Russian expansion. From the North Cape to Sicily, and from Japan to Australia, two firm North-South lines have been drawn, and behind these lines massive military strength is in process of being built-up.

By A SPECIAL CORRESPONDENT
IN LONDON

Base-line Needed

But Russia can expand not only towards the west and the east, but also towards the south. To make "containment" of Russian expansion complete, there is also needed a West-East line—a base-line to the two European and Pacific walls. And behind this line there must also be a position of strength, if security is to be achieved and an approach to settled peace made possible.

So far, no such line exists, and the whole vast area from Morocco to Indonesia remains a position of weakness. Nor is there much indigenous material in this enormous area from which to build strength.

Greece and Turkey have inherent defensive capacities. So, perhaps, has Israel. So has the Indian sub-continent, provided India and Pakistan can overcome their mutual suspicions and their conflict over Kashmir and cooperate as good neighbours.

For the rest, Morocco, Tunisia, Libya, Egypt, the Arab States of Persia, Burma, Indo-China, Siam, Malaya, and Indonesia are all countries whose inherent power is far too weak to guarantee their security from outside attack.

Many of these States are also internally vulnerable to Communist penetration. Some of them—Morocco, Tunisia, Indo-China, Malaya—are (more or less unwillingly) associates or dependencies of Great Powers, from which they derive some protection. Others—Libya and Egypt—derive protection from foreign alliances. The rest are simply power vacua, waiting to be filled.

The pervading problem of this whole area—most of it in the recent past, and some of it still at present, subject to imperial rule by French, Italians, Turks, British, or Dutch—is the discrepancy between the ardour of its nationalism and the weakness of its actual economic, political and military capacity to sustain independent nationhood.

American Policy

American policy towards this area has so far been mainly determined by anti-imperialism and the wish to gain local goodwill. America has applied the self-liquidation of British imperialism, participated in the forcible destruction of the Turkish and the Italian Empires, and given her sympathy to nationalist movements directed against French and Dutch imperialism. However, most of the countries which have emerged from the great imperial liquidation are quite unable to defend their new national independence by their own efforts against the threat of far harsher domination by the Communist imperialism of Russia and China.

Something has to take the place of the old imperialism to give these new and weak nations security from outside attack, and the chance of internal economic, social and political development. To find this "something"—to establish relations which provide for the military, political and economic security of these countries with the least possible infringement of their national dignity and sovereignty—has for long been a profound concern of British policy; the Egyptian Treaty of Alliance of 1936 has itself been one experiment in this kind of relationship.

It must be admitted that some of these alliances, concessions, etc., have been locally unpopular; that does not automatically make them superfluous. And American policy, though rightly concerned to work in harmony with local nationalism and maintain local goodwill to the greatest possible extent, cannot safely ignore the overriding necessity to provide for local security.

Egypt Key Sector

How to resolve the conflicts between local nationalism and the need for foreign aid and protection—conflicts that threaten or exist in one form or another all the way from Morocco to Indonesia—and how to fill the power vacuum that the withdrawal of European imperialism has left in many places along this vast front must be a prime concern of American diplomacy if the containment of Russia is not to have a gigantic gap in the south.

In the long run, the most promising approach is probably the attempt to strengthen the national fabric of the countries concerned by economic aid coupled with encouragement of social reform. But this takes time to produce results, and in the meantime, North Africa, the Middle East, and Southern Asia cannot be left militarily and politically defenceless.

At a moment when far older nations and far greater Powers—Powers of the calibre of Britain and France, Germany and Japan—are not above accepting the presence of foreign troops and foreign bases in their territories for the sake of effective defence, it is surely paradoxical for countries like Egypt to protest that they are strong enough to defend themselves by their own unaided efforts and to reject every effective foreign military protection as "imperialism."

And at a moment when America herself is reluctantly coming to the conclusion that she must help to man the defences of Europe, Japan and Korea if she is to have security it would seem curious if the far weaker defences of North Africa and Southern Asia were to be left unsupported. Egypt is only one sector, though a key sector, on this vast undermanned front. But the problem which she poses is bound to pose itself in one form or another, all along the "Southern Front" of the cold war; and it is for America as the leading Power of the Western coalition, to face it realistically in its wider context.

DEPARTMENT OF EXTERNAL AFFAIRS.

CABLEGRAM.**RESTRICTED.**

FM - MC

I.18433.

Dated 24th October, 1951.

1416.

Recd. 25th October, 1951.

1230.

TO:

Australian Embassy,
WASHINGTON.1863. RESTRICTED.Ward Allen stated in official discussion almost
impossible United States would support Egypt.

A/Min & Dept. E.A.

250/10/5/14

P.M.'S.

25th October, 1951.

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Re. Committee	

DEPARTMENT OF EXTERNAL AFFAIRS.

CABLEGRAM.**SECRET.**

FROM:

I. 18386

TO:

Dated: 23rd October 1951
2043
Rec'd: 25th October 1951
0820Australian Embassy,
WASHINGTON.1861. **SECRET.**Repeated to London 222. London please pass to
Australian Legation Cairo by bag.

Our 1838. Egypt and Middle East Command.

Following is summary of conversation with Stabler today.

1. United Kingdom, United States and French Ambassadors in Ankara were approaching the Turkish Government today to ascertain Turkey's present position and intentions in the light of the Egyptian refusal to participate in the Command. They had no reason to anticipate any difficulties, although it was realised Turkey would not want Command arrangements formally set up until her membership of N.A.T.O. was an accomplished fact which could not be before January at least. Until they had received official reassurances regarding Turkey's position no further action could be taken regarding Command arrangements.

2. It was then proposed that concerted approach should be made by representatives of the three powers and by Turkey if the Turkish Government so desired, to Arab States and Israel, to follow up earlier approach on 13th October by emphasising their inflexible intention to proceed with Command arrangements. It would not be an official invitation to participate in the Command but the Arab States and Israel would merely be informed of what the three (or four) powers proposed to do. They would not be specifically asked for comments but it would be made clear to them that any views they wished to communicate would receive every consideration.

3. Nothing of substance to add regarding preliminary reactions of Arab States and Israel. Matter would be discussed at forthcoming Arab League meeting, date and place of which not yet set. Despite Egyptian pressure Stabler felt there would be some reluctance on the part of other Arab States to reject the Command idea outright (portion apparently omitted) had so frequently expressed concern over their own defence. Quick response could not, however, be expected.

4. No further approaches to Egypt contemplated at the moment. Most unlikely any military aid under current mutual security programme would now go to Egypt although economic aid would probably still go forward.

Stabler said they felt some concern at possibility of impetuous action by the British in Egypt and had counselled every restraint in use of their troops. British troops in Canal Zone numbered around 40,000 and he queried whether this could be legally justified if Egypt brought the matter up before the United Nations.

A/MIN. & DEPT: R.A.
P.M.'s DEPT:

250/10/5/14

25th October 1951

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper *The Times*

File No. 250/10/5/14

Published at

Date 24/10/51

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250/10/5/14

SHOWDOWN IN EGYPT

Egypt's "Day of Mourning" yesterday for the casualties in last week's disorders was not impressive. There was some rioting and shouting in Cairo and Alexandria, but meanwhile the British were digging in more deeply along the Suez Canal, backed by the moral support of the greater part of the Western World. There has been and still is an attempt to intimidate the Western Powers by conjuring up the bogey of nationalism, and to blackmail them with threats of recourse to Russian help. The problems of the Suez Canal and the Sudan are not going to be solved by such tactics.

It was Egypt who called for the showdown by unilaterally denouncing a valid treaty with Britain on the eve of a generous international defense proposal that she knew was coming. In so doing, Egypt's Premier Nahas Pasha unified the political elements of his country behind him at a time when his Wafd party was shaken by its own corruption and inefficiency. That was an immediate success, just as the stand of Premier Mossadegh of Iran against the Anglo-Iranian Oil Company was a comparable political success. In both cases the country and its people will pay a heavy price. Nahas Pasha also won at least verbal support from other Arab and Moslem nations, with the notable exception of Turkey. One suspects, however, that there is more embarrassment and anxiety in the Moslem world than has come out. Egypt is not exactly popular, even in the Middle East.

The greatest mistake that the Egyptians made—and it should now be quite clear—was to have forced the United States into an open position against them. The issue was so evident and the threat to Near Eastern security so obvious that the United States was not left with a choice. In Iran there were some doubts and the issues were at least partly confused. French interests, thanks mainly to Tunis and Morocco, were the same as Britain's. Australia, New Zealand and South Africa immediately responded to the danger to their Mediterranean "life line."

The United Nations was out of this picture. Egypt had flouted the Security Council in a flagrant manner early in September over the passage of cargo ships through the Suez Canal to Israel. Her present action in tearing up a valid treaty is hardly in accord with the U. N. Charter. It is conceivable that Egypt will now run to the Security Council for help, but it would be an extraordinary thing to do. The British, having found the Security Council pathetically weak in the Iranian oil dispute, are hardly likely to try again, especially as there is no need to have recourse to the Council.

Therefore, what unfortunately has been brought about through Egypt's folly is a straightforward showdown on a basis of force. In such a struggle Egypt has no chance of success, and from present indications there is no reason to believe that nationalist sentiment and Moslem solidarity are strong enough to tip the balance in Egypt's favor.

This will have to be a holding operation on the part of the British, acting in this case for the security of the West and the validity of international law. It will require patience and nerve, perhaps for a long time to come, but the cause is a good one and if the rule of law and morality triumph in the end we will all be gainers, including Egypt.

As soon as it is possible to resume negotiations calmly and judiciously

campaign for \$500,000, to cover its first two years' operations, under the chairmanship of S. Sloan Colt, treasurer. To contribute to this cause is to invest in a strengthening of the moral forces in your city, to combat the evil rackets that prey on business and commerce, to work for honest, good government in New York. If you seek a way to do your part in furtherance of these purposes, your check should be sent to the New York City Anti-Crime Committee, 270 Park Avenue, New York 17, N. Y. The telephone number is PLaza 9-3646.

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper *The New York Times* File No. 250/10/37/14
Published at Date 24/10/51

AT ISSUE IN THE SUDAN

A paradox in the clash over the Sudan is that a vehement nationalism is opposing the principle of self-determination for a dependent people. And it is the "anti-colonial" Egyptians who are the nationalists and the "colonial" Britons who are defending self-determination for the Sudanese.

It is quite possible, of course, to present the British case primarily in its legal aspects. If there is to be a world of law and order it obviously cannot be promoted by the one-sided abrogation of compacts made in good faith. A declaration by Egypt of the annexation of the Sudan is such an abrogation, and thus not within the bounds of respect for law. On the other hand it

is easy to understand the Egyptian sense of grievance and the desire to assert the emergence from what has been regarded as an "under-dog" role.

This clash of issues, however, is quite beside what ought to be the ultimate determining factor in the case. The real question is, What do the Sudanese themselves want? There is obviously no profit to the cause of human liberty in their mere transfer from one colonialism to another against their will. Egypt's valid concern over the upper reaches of the Nile River may give her a special interest in the disposition of the Sudan, but it does not give her a dispensation to dispose of the Sudanese in a fashion to which they may rightfully object. The Sudanese are not Egyptians any more than they are Britons, despite their physical and strategic closeness to their neighbor.

Up to this time there has not been the opportunity for a valid expression of Sudanese opinion and sentiment. There is a pro-Egypt party in the Sudan, but it has boycotted the elections and thus has not submitted to a test of strength. There is a genuine independence movement, but it is doubtful if most of its supporters and well-wishers believe that the Sudanese can sustain an independent state at this moment, particularly if there is Egyptian opposition to it.

The logical thing, therefore, seems the use of some political pattern that will give the Sudanese support and protection until such time as they can make their own choice and make it good. Britain's patient policy holds out this possibility. Egypt's rash declaration of annexation would defeat it.

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper *The Canberra Star* File No. 250/10/5/14
 Published at *Canberra* Date *24/10/57*

Approach to U.N. Posses

The Egyptian Foreign Minister, Salah El Din Pasha, who will head the Egyptian delegation to the meeting of the United Nations' General Assembly in Paris on November 6, denies that Egypt is planning to raise the Anglo-Egyptian dispute in the Security Council.

Well-informed sources here believe, however, that he will seek to "expose British acts of aggression" and canvass support for the case of Egypt.

Meanwhile the Secretary-General of the Arab League, Azzam Pasha, has discussed with Arab diplomatic representatives the summoning of the League's political committee to an extraordinary meeting to discuss the "aggressive attitude" of Britain.

All was quiet yesterday in the Suez Canal Zone, with neither the British military authorities nor official Egyptian sources reporting new incidents.

In Washington the U.S. Secretary of State, Mr. Dean Acheson, has announced that the U.S. will continue to work for peace in the Middle East in the hope that

Egypt will halt its drive to oust Britain from the Suez Canal.

"We must make certain that trouble in this area does not jeopardise the rest of the world," he declared.

Speaking on a television programme, Mr. Acheson said that Egypt had been offered a full and equal partnership in the defence of the Middle East, and had been offered economic and military aid towards such a defence.

In answer to a question, Mr. Acheson admitted that he was "worried" about the trouble over Suez between Egypt and Britain, adding that the trouble did not come about suddenly, but went a long way back.

The United States record in the Middle East, he added, was "good and clean," and Egypt could accept American offers of aid without any misgivings.

British infantry, supported by armoured units, cordoned off the Suez Canal Zone yesterday and occupied the Egyptian Customs offices in the port of Suez.

The British forces dug in astride the route from the Sinai

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper *The New York Times*

File No. 250/10/5/14

Published at

Date 22/10/57

ACHESON WORRIED BY EGYPTIAN CRISIS

Suggests Cairo's Participation
in Middle East Command
Would Benefit Nation

CITES ITS OBLIGATIONS

Secretary Says U. S. Seeking
'to Make Sure' Suez Actions
Do Not Jeopardize World

Special to The New York Times
WASHINGTON, Oct. 21—Dean Acheson, Secretary of State, said today that, if Egypt were to accept a place in the Middle East Command, it would reduce the grounds for her present dispute with Britain and "put the defense of this whole area on a stronger basis."

Acknowledging that he was "worried" about the situation in the Middle East, the Secretary said the United States was trying "to make sure that what happens in this part of the world doesn't jeopardize the security of all the rest of us."

"In the trouble between Egypt and Britain, we think and say that the Egyptian Government can't throw its international obligation overboard," he declared.

"Over the past few months, we've been working, with France, Britain and Turkey, on a Middle East Command. Egypt has been offered an equal partnership in this command. We still have hopes that the Egyptians will go along with us on this proposal. This will not only help to settle the dispute; it will also put the defense of this whole area on a stronger basis."

Foreign Policy Discussion

The Secretary set forth these views on the Egyptian Government's move to eject British troops from the Suez Canal zone and to take full control of the Anglo-Egyptian Sudan in a televised discussion of foreign policy over National Broadcasting Company's "Battle Report; Washington."

Money supplied by Congress for military and economic aid to the Middle East, coupled with the admission of Greece and Turkey to the North Atlantic Treaty Organization, Mr. Acheson maintained, constitute "real headway" toward working out problems of the area "with common sense and justice to all sides."

Much of the Secretary's broadcast was devoted to answering questions that had been submitted to him or to the President. In dealing with the Middle East situation, he recalled steps dating back even before enunciation of the Truman Doctrine to stabilize conditions and to protect the interests of free peoples in the area.

He said "the danger of Communist aggression from the outside is only one of the problems that these people have to worry about" in touching upon the difficult economic and social problems they face. The record, he said, is "good and clear" that the United States has sought to help in these problems, too.

Acheson Cites Quotation

Asked how much longer the United States "can go on spending all this money [on foreign assistance] without going broke," the Secretary said that, as he remembered his school books, there was "not a word said about our going bankrupt" with reference to the quotation: "Millions for defense, not one cent for tribute."

"We are a strong and powerful country," he declared. "We're growing stronger all the time. We face the future with courage and confidence. We can do whatever is necessary to defend ourselves and still be a long way from bankruptcy."

"Certainly we shouldn't be reckless with our resources. We certainly shouldn't waste them. Every dollar we spend, at home or away from home, should be spent shrewdly and wisely. We should be sure that every dollar spent is necessary and that we get a full dollar of defense for it—and more, if possible."

In response to a question on why the United States does not "kick the Russians out of the United Nations," Mr. Acheson pointed out that the United States was only one of sixty nations in the organization. But he stressed that Russian delegates, by their words and actions in the United Nations "have done more to convince the world that their propaganda is false and phony than all the rest of us put together."

Name of Paper

File No. 250/10/5/14

Published at

Date 25/10/51

American Help

250/10/5/14
From Our Washington Office

IF there was a full-scale movement of Egyptian troops against British forces in the Suez Canal Zone the American Government would be prepared to back up Britain to the extent of supplying her with military equipment.

At the same time the United States could not send troops to the region.

This was reported to be the effect of decisions made late last week in Washington following the return of the chairman of the Joint Chiefs-of-Staff Committee, General Omar Bradley, from the Middle East, fresh from conferences with Turkish military leaders and with General Eisenhower on the importance of the entire region from Turkey to Egypt in Western military plans.

Aides of General Bradley indicated that he was concerned over the possibility of serious clashes in Egypt, because the American people were not prepared for another military adventure—much as they might dislike the humiliation of their strongest ally in Europe.

Washington realises that American as well as British prestige is involved in Egypt and, consequently, every step will be considered, outside the use of American troops, to make it clear to the Egyptians that the United States is determined to prevent them from blocking Allied moves considered necessary to contain Soviet Communism.

Bradley himself cannot be expected to sit back idly for long.

Bradley As C-in-C

If Eisenhower returns to the United States to announce that he is available for the Presidency at the next elections—as most political observers believe he will—then Bradley would be the most likely new Commander-in-Chief of Allied forces in Europe.

Significantly, his recent visit to Korea preceded the biggest Allied offensive for some months.

It has since been disclosed that Bradley demanded a continued stepping up of the Allied offensives if the Armistice talks failed.

Last week's blunt speech by the Secretary of State, Mr. Dean Acheson, placed the

ments to the Eastern Mediterranean.

Egypt, by its lack of appreciation of Western efforts to increase its world influence as a nation, has more to lose than to gain. By rejecting the West's outstretched hand it only serves to put Turkey more than ever in the position of becoming the leading Middle East Power.

U.S. Surprised

State Department officials have been surprised at the unreasoning attitude of the Egyptians. Until the Egyptian Government rejected the Western invitation to become the keystone of a proposed Middle East Command, the United States was prepared to make unusual concessions to the Egyptians.

With British agreement, it had proposed that the Egyptians should make contributions of military and air bases and ports to the defence arrangement, that Egyptian officers should join the Command staff and that Egyptians could send their armies into Allied areas elsewhere in the Mediterranean if they desired—though not, of course, into any Arab country.

Cairo must have realised the many obstacles the Western Powers faced in making such generous propositions.

The Western Powers, for instance, had to overcome Israel's fear that Egypt was going to be furnished with Western arms in large quantities and had to explain to Israel why it, as a Middle Eastern country, was not included in the scheme. This could have become an explosive political issue in the United States.

Complications also arose from the inevitable inclusion of the proposed Middle East Command in the Atlantic Treaty system. Scandinavian members of the North Atlantic Treaty Organisation have already expressed alarm over the extension of its commit-

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper..... *Times*
Published at..... *Bronx*

File No. *250/10/514*,
Date *10/10/57*

tary of State, Mr. Dean Acheson, was courageous and right to censure Egypt's unilateral denunciation of her treaty with Britain.

"This is the type of diplomacy that the free world must surely want and expect of the United States," it says.

"Egypt's move was so clearly contrary to international law and morality that we could not stand by and acquiesce."

"We had to take this plunge, even though we are getting into deep water and no one can say where it will lead."

There would be trouble ahead, but there was going to be trouble anyway, the paper says.

It might well turn out that the United States had underrated the support it would receive in the free world for a strong policy based on international law and decency.

"The policy of retreat in the face of international lawlessness has to end," it says.

Strong Stand Praised

250/10/514

NEW YORK, Oct. 19
A.A.P.—The "New York Times" says that the Secre-

UNITED STATES INFORMATION CENTER

7, WYNYARD STREET,

SYDNEY.

WIRELESS BULLETIN NO 253,

OCTOBER 18, 1951

FEB 52. ACHESON HOPES EGYPT WILL RECONSIDER DEFENSE PROPOSALS

Washington, October 17 -- Secretary of State Acheson says the United States hopes Egypt will reconsider her rejection of proposals that she become a full member of an Allied Middle East Command whose responsibilities would include the defense of the Suez Canal.

In a prepared statement read at his Press Conference here today, Acheson expressed the hope that Egypt "will recognize that its own interest will be served by joining the other nations of the Free World in the defense of the Middle East against the common danger."

"This Government has noted with surprise," Acheson said, "that the Egyptian Government rejected proposals of such importance without having given them the careful and considered deliberation which they merited."

The proposals, submitted by France, The United Kingdom, Turkey and the United States were "wholly consistent with the independence and sovereignty of Egypt," he added. Delivered to Egypt on October 13, the proposals would have resulted in an end to strictly British control of the Suez Canal base and would have provided for Egypt's participation on a status fully equal to that of other nations.

Acheson also referred to decrees approved in the Egyptian Parliament abrogating the 1936 Suez Treaty with Britain and the 1899 decree providing for Anglo-Egyptian administration of the Sudan.

"For its part," he said, "the United States considers the action of the Egyptian Government to be without validity."

He expressed the hope that great restraint will be shown in the present situation and that the obligations of all nations towards the preservation of World law and order will be respected."

Newsmen brought up the subject of the Japanese Peace Treaty. Asked what action the United States planned on the Treaty, Acheson said it was felt that the U.S. Senate should not begin discussion on the Peace Treaty or the others having to do with Pacific Security, until the Japanese DIET had acted on them. Since the U.S. Senate, which is responsible for approving treaties, will probably adjourn before the DIET takes action, the Senate will probably take up the Treaties in the next session of Congress, the Secretary added.

Asked if the United States would support Britain in any actions taken to protect British Suez installations, Acheson said he could not state the position of the United States in regard to any specific situation, but he believed the British were entirely within their rights in maintaining their Treaty rights.

He said the United States has made it very clear that British troops are in the Suez Area under a valid treaty and that the treaty could not be abrogated unilaterally.

Acheson was asked whether the proposed Middle East Command was being discussed with other countries. He replied it was being discussed with other Governments in the Middle East.

Another newsman asked the Secretary if he thought establishment of the proposed Middle East Command would aid the chances of peace between Israel and the Arab States. He replied that such a move would be a very great bulwark to the security of the whole Middle East.

Acheson was asked for his views on recent Communist proposals concerning "German Unity". The Secretary replied that he thought the Communist proposals an attempt to gain some propaganda advantage and to confuse the movement for integration of the German Federal Republic with other Western European countries.

He added that the Communists had made similar attempts before and had always lost ground as a result, because they never make proposals that would allow honest investigation.

(The U.S. announced on Monday that it is prepared to support a proposal that a United Nations Commission conduct an investigation to determine whether conditions exist in Germany under which free elections could be held in both the East and West zones.)

FEB 53. TEXT OF ACHESON STATEMENT ON EGYPT (WITH FEB 52)

Washington, October 17 -- Following is the text of a statement made by U.S. Secretary of State Acheson at his Press Conference today on Egypt's rejection of the Four-Power Proposals concerning an Allied Middle East Command.:

"It is with genuine regret that the United States Government received notification on October 15 of the rejection by the Egyptian Government of the proposals presented to it on October 13 by the United States, France, Turkey and the United Kingdom. This Government has noted with surprise that the Egyptian Government rejected proposals of such importance without having given them the careful and considered deliberation which they merited. These proposals were formulated by the nations interested in the welfare and security of the Middle East after the most intensive and thorough consideration of the special problems of the area. The invitation to join with the other Sovereign Nations of the Free World in a joint and cooperative effort to make the World safe from aggression was wholly consistent with the independence and sovereignty of Egypt.

"Vigilance in protecting the liberties we may enjoy is the responsibility of every nation of the Free World. The spirit of responsibility to others requires that no nation carelessly precipitates events which can have no constructive end but which by their nature create those elements of confusion and weakness which tempt aggression. It is the hope of the United States Government that Egypt will carefully reconsider the course of action on which it has embarked and will recognize that its own interest will be served by joining the other nations of the Free World in assuring the defense of the Middle East against the common danger.

"The United States Government must reaffirm its belief that the action of the Egyptian Government with respect to the Anglo-Egyptian Treaty of 1936 and the agreements of 1899 regarding the Sudan is not in accord with proper respect for international obligations. For its part, the United States Government considers the action of the Egyptian Government to be without validity.

"It is the sincere hope of the United States that great restraint will be shown in the present situation and that the obligation of all nations towards the preservation of World Law and Order will be respected." (End Statement)

FEB 60. ASIAN, MIDDLE EAST PROBLEMS ON LAND TENURE AGENDA

Madison, Wisconsin, October 17 -- Problems of land reform and land tenure in the Middle East and Asian Regions are highlighted on the agenda during the current and second week of the six weeks' World Land Tenure Conference here.

Nazib Alamuddin, Member of the Superior Council of Lebanon and President of the Near East Resources at Beirut, proposed Tuesday that a model land tenure code be drafted for the Middle East Countries. He suggested that the University of Wisconsin sponsor the drafting of such a code, which would serve as a model and would be available to all the countries interested.

He said that such a code could be adopted in total or in part or could be used for reference. "Land Tenure Legislation", he pointed out, "is necessary for land reform and not all countries are experienced in this type of legislation."

Alamuddin suggested that U.S. Agriculturists meet with experts from the Arab countries to draft such a model code.

"The experts of the United States would be guided by their colleagues from the Middle East and a land code could be produced in accordance with national laws, religious laws and established traditions," he explained.

He asserted that retarded land reform could result from defective or inadequate legislation and said that the work on the code be an extension activity of the conference.

Delegates from Iran, Syria, Egypt, and India reported on land reform and land tenure problems in their own countries during the session.

FEB 62. AEC AND DEFENSE ASKED TO STUDY ATOM EXPANSION

Washington, October 17 -- The U.S. Joint Congressional Committee on Atomic Energy requests the U.S. Atomic Energy Commission and the Defense Department to report by January 3 on "maximizing the role which atomic energy can and should play in the defense of the United States."

The Committee made the formal request of the two agencies today. Its resolution also asked the AEC and the Defense Department to submit their "joint views" as to "the precise program which should be carried out in the atomic energy field.

The resolution was submitted by Committee Chairman Brian McMahon who last month introduced a resolution calling for expenditure of an additional \$5,000 million a year on atomic energy developments.

At the same time last month McMahon introduced a resolution calling for a proposal to the United Nations to halt the competitive building of armed strength by "speeding agreement upon effective and enforceable disarmament and control covering conventional armaments, biological and chemical agents, and atomic and hydrogen bombs."

President Truman, McMahon and other U.S. officials have frequently made it plain that the reason the United States is building its defense force is that of Soviet aggression, and that this country would prefer not to have to devote so much of its energies to building defenses.

As an example, U.S. Leaders cite the nation's consistent support of the plan placed before the United Nations to provide effective international control of atomic energy. The Soviet Union, in contrast, has steadily opposed the plan although it is favored by a large majority of U.N. members.

McMahon told newsmen today that he had offered the latest resolution as a substitute for the one proposing the 5,000 million dollar expansion in the U.S. Atomic Energy Program.

He said he would not press for an approval of the latter resolution; the Committee's request of today will go to the AEC and the Defense Department without further Congressional action.

(FOLLOWING ADVANCE MATERIAL FOR USE AT 1 p.m. FRIDAY, OCTOBER 19
EASTERN AUSTRALIA STANDARD TIME)

FEB 63. KIRK OUTLINES REQUIREMENTS FOR DEALING WITH SOVIET

New York, October 18 -- The Free World must be strong, firm and consistent in its dealing with the Soviet Government, according to Ian G. Kirk, U.S. Ambassador to the Soviet Union.

Kirk spoke today at a Memorial dinner to the late Alfred E. Smith, one time New York State Governor and Democratic Party Leader of National prominence.

In his remarks, Kirk gave a picture of the Soviet Union as a vast nation of ambitious people, ruled by "coercion and persuasion," and living in a competitive atmosphere which shows "little sign of human kindness, compassion, courtesies, aiding the weak."

The Soviet Union, with its great potential strength under the absolute control of the Imperialist minded Politburo, constitutes a "menace to our peaceful existence", Kirk said.

"Under the tenets of the Politburo," he said, "they are always right. What then is our duty? It seems to me we must refresh our moral and physical strength, keep our own ideals bright, and show by our example what real democracy means. We must be calm, cool and cold-blooded. We must keep our physical strength at a proper level. We must accept the fact that a challenge to our way of life does exist, that it is serious, that it must be met squarely. To do this, we of the Western World must make the necessary sacrifices, and it may be that our way of life will have to be modified. We cannot negotiate with the Soviets when we are weak. We must have strength, and our rearmament is designed for the purpose of making our voice listened to in negotiations -- and for that alone. But our strength must be actual, in being, not potential. In our dealings with the Soviet Government we must be strong, we must be firm and we must be consistent."

CABLEGRAM

SECRET.

MS:MB

I. 18146

FROM:

Dated: 18th October, 1951.
2254
Rec'd: 20th October, 1951.
9 a.m.Australian Embassy,
WASHINGTON.SECRET.

Addressed External 1838 repeated Australian High Commissioner's Office London 219 (London please pass to Australian Legation Cairo by bag).

For Minister from Ambassador.

My 1838.

I had a long and useful discussion with McGhee this afternoon. He expressed strong approval of Prime Ministers speech which he said fitted in thoroughly with their ideas.

1. Egypt and Middle East Command. McGhee said that Acheson's statement of 17th October (see State Department wireless bulletin 253) indicated irrevocable United States support to United Kingdom. They were not contemplating exercising any pressure on the Egyptian Government other than disapproval publicly expressed, and felt that it was important to take stock of the situation stage by stage as it developed. There was no likelihood of a change of Government in the foreseeable future, and any alternative Government which might now come into being would probably be worse. If there were no serious incidents and national passions subsided, Farouk might be able later on to evolve a more moderate Government. McGhee said that the command proposals would still be pursued without Egypt, but the door would be left open for her. They were not "overly optimistic" regarding Egyptian participation.

2. Reactions of other Arab states to the command proposals had not been wholly unencouraging. None of them had said "No" although admittedly they had not yet been officially invited to join in. It was not considered that Iraw, Jordan and Lebanon would follow Egypt's lead automatically.

3. McGhee said they were very pleased at Australia's decision to share in the work of Middle East Command as founder member. I emphasised the importance Australia attached to having her views taken into account before there was any agreement on command machinery and enquired regarding the position N.A.T.O. standing group would occupy in relation to new command. I was assured that it was not contemplated that small inner group should dominate command. Vetoes still had to be worked out, but it was visualised there should be a Chiefs of Staff Committee and a Military representative committee. In reply to my enquiry as to whether any discussions were contemplated in Washington regarding command set up, I was informed the Turks were sending a military representative over here for discussions but it was implied that this would not affect Australia's interest. I formed the impression that we

050/10/5/4

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper

The Herald

File No.

250/10/5/14

Published at

Sydney

Date

19/10/51

America Backs U.K. On Egypt

250/10/5/14

From Our Staff Correspondent And A.A.P.

WASHINGTON, Oct. 18.—The U.S. Secretary of State, Mr. Dean Acheson, yesterday placed the United States fully and irrevocably in support of Britain's effort to maintain her troops and installations in Egypt under the existing Anglo-Egyptian agreements.

He told a Press conference that Egypt would then have an equal part in determining the number of British troops to remain on her soil.

The British bases would be turned over to Egyptian control on the understanding that they would become Allied bases.

Mr. Acheson was careful to avoid outright sanction of a British use of force or pledge of U.S. Armed Forces, but declared that Britain was fully justified in "maintaining her treaty rights."

He said the United States hoped that Egypt would carefully reconsider the course of action on which it has embarked.

Egypt's own interests would be served if it joined the proposed Allied Middle East Defence Command.

Mr. Acheson explained that

TROOPS TO STAY

DEPARTMENT OF EXTERNAL AFFAIRS.

CABLEGRAM.

I. 18054

HP:MB

Dated: 17th October, 1951.
 1845
 Rec'd: 18th October, 1951.
 12:20 p.m.

FROM:

Australian Embassy,
 WASHINGTON.

1833 CONFIDENTIAL. PRIORITY.

For the Secretary from the Ambassador.

Your 1307. Am seeing McChee tomorrow
 afternoon and will take the opportunity for general discussion
 of near Eastern problems especially Egypt and Iran.
 Prime Minister's statement most helpful.

 250/10/5/14

D
SEURON
A.S. U.N.C.
A.S. (C.H.L.)
A.S. (Adm)
C.R. H. S.
U.N.
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E.R.
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P.D.
Can. & Fr.
Arab.
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China
Other

Min. & Dept. E.A.
 P.M's

18th October, 1951.

jl

RWS

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name & Paper *British from* File No. *250/10/5/14*
Published at *FT - R. C News 12.00pm* Date *18/10/51*

250/10/5/14
Yesterday, in Washington, the Secty of State Mr Acheson appealed to the Egyptian Govt to reconsider their rejection of the Western Powers' offer to give Egypt full partnership in Middle East defence. He said the US supported Britain in exercising her treaty rights and resisting Egyptian pressure. He again said that the US regarded Egypt's abrogation of the treaty as invalid under international law. Correspondents in Egypt say the situation is now quiet in Ismailia, where serious anti-British demonstrations occurred on Tuesday. British troops with fixed bayonets are guarding bridges and street barricades and tanks are patrolling the roads. The British cruiser Liverpool is ready to leave Malta for Egypt. She has been fuelled and supplied and her crew given 24 hours shore leave. A mine layer has already left Malta. ~~fmxxgpk~~. RUP says she is on her way to Egypt. British troops in the Suez zone are being reinforced by paratroops who are arriving by air from Cyprus.

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper..... *The Canberra Times* File No. 250/10/5/14.
Published at..... *Canberra* Date. 17/10/57

Despite rejection of the Four Power defence proposals, the sponsoring Powers will press forward to create the new Middle East Command.

It is expected that plans will be completed in time for final decisions by the North Atlantic Council, which meets in Rome at the end of November.

According to the London "Daily Mail," the headquarters of the new Middle East Command probably will be in Cyprus, instead of Egypt.

Meanwhile, specific orders have been sent from London to the British troops in the Suez Canal zone to stand by, ready for anything.

Senior military representatives of the proposed Command, who meet soon in London, will decide the precise contribution to be made by Australia and New Zealand.

The conference will now take place in the shade of the deepened threat to Commonwealth communications caused by Egyptian refusal to join the Command. It is expected that Australia and New Zealand will be fully represented on the staff, but their actual contribution, Reuter reports, will be strictly wartime commitments.

Shape of the new Command structure has not been finally determined, but it is expected to follow the pattern of the North Atlantic treaty organisation.

Official sources in London said, in immediate reaction to the Egyptian decision, that Britain would stay in the Suez Canal zone—by force if necessary.

Britain, they added, did not accept Egypt's cancellation of the 1936 defence alliance which allowed British troops to guard the Canal.

In Washington U.S. officials declined to say what action would be taken by the U.S. if Egypt tried to eject the British forces by force. But they indicated they would favour standing by Britain in the belief that Egypt could not at present adequately defend the Canal area.

FEB 14. U.S. EXPERTS REGRET EGYPT'S ACTION ON MIDDLE EAST DEFENSE

Washington, October 15 -- Egyptian rejection of an invitation to become a founder of an Allied Middle East Command draws expressions of regret from United States experts concerned with Middle East defense problems.

The invitation was tendered jointly by the United States, the United Kingdom, France and Turkey.

Tony Seeger

16/10/57

287

United States in pointing out that the idea of the Allied Middle East Command can be carried forward without Egyptian participation. They add that the proposal rejected by Egypt was a preliminary one, on which it was planned to work out details and a possible expansion of membership in the future.

The proposal to create an Allied Middle East Command is viewed by U.S. experts as a means of establishing "stability in depth" as a basis for the defense efforts in Greece, Turkey, and Iran. The proposal was considered a substitute in a broader cooperative manner for the treaty between Egypt and Britain. Experts hoped that a multilateral arrangement to augment the defense of not only Egypt but the entire Middle East Area could go into effect without leaving a vacuum in Egypt through Egyptian abrogation of its treaty with Britain.

The question of British troops in Egypt, officials feel, is separate from the proposal for a Middle East Command. The United States attaches the greatest importance to the presence of British troops as an addition to the strength of the Middle East, as a salient stabilizing influence in peacetime, and of very great importance in wartime.

U.S. experts point out that Egyptian failure to take part in a defense arrangement would no doubt be a setback for plans to defend the Suez Canal. It was pointed out, however, that Egypt has always made it clear that bases protecting the Canal could be used in wartime. Officials point out that if Egypt did not become a member of the Defense Command, it still might be possible to make arrangements for wartime defense of the Suez Area..

Turkey is considered by U.S. experts to be the link between the North Atlantic Treaty Organization and the proposed Allied Middle East Command: Turkey joined with the U.S., the United Kingdom and France in proposing the Middle East Defense arrangements.

Turkey thus becomes the key strategic strong point in both the North Atlantic and the Middle East defense arrangements. Officials point out that an attack on Turkey would bring into operation the commitments of other NATO members and, after its establishment, of the Middle East Command. The protocol for admission of Turkey and Greece to NATO was made public in London today, as Egypt was considering the proposal for the Middle East Command. The admissions into NATO still await official approval by member governments, and the formation of the Middle East Command awaits future action.

The theory of the Allied Middle East Command is looked upon by U.S. experts as an extension into a cooperative arrangement of previous arrangements in which Greece and Turkey were developed as isolated strong points in the Mediterranean Area. U.S. officials

Discussing the Egyptian action today, U.S. experts pointed out that Cairo is an extremely strategic point in the Middle East and that Egypt, as an equal partner with other nations, could make an important contribution in defense of the whole area. Participation of Egypt in the proposed command, they add, would be important not only for its national interests, but for the interests of the Middle East and the entire Free World.

Experts of other participating nations join those of the United States in pointing out that the idea of the Allied Middle East Command can be carried forward without Egyptian participation. They add that the proposal rejected by Egypt was a preliminary one, on which it was planned to work out details and a possible expansion of membership in the future.

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have recognized, however, that the theory of establishing strong points does not provide as effective a defense as a collective security arrangement.

Political analysts point out that the proposed Middle East Command differs from NATO in that it is based on military rather than political cooperation. Experts familiar with the Middle East Area point out that it lacks the political base for cooperation such as exists in Europe or Latin America. In the Middle East, they noted, there is not only the antagonism of the Arab states toward Israel, but jealousy among the Arab states themselves.

The United States has long been interested in the establishment and strengthening of Middle Eastern security. United States responsibility began in 1947 with the enunciation of the "Truman Doctrine" for the defense of Greece and Turkey, experts point out. In ensuing years the United States has shown increasing interest in efforts to solve basic problems of the Middle East. The concept of the Middle East Command, officials pointed out, has been considered for nearly a year, and was discussed last February at a meeting in Istanbul of chiefs of U.S. Missions in the Middle East. The basic concept is described by experts as an attempt through military cooperation to overcome the lack of political basis for cooperation in the Area. The concept also includes the possibility of participation by other countries of the Middle East at the invitation of Founding Members.

United States interest in the stability of the Area is shown in the Mutual Security Program, which has been authorized by Congress, and for which appropriations now are in the process of legislative action. Under the program, it is expected that a total of about \$400,000,000 will become available for the purchase of arms to help Middle Eastern countries defend themselves. The

Mutual Security Program also provides a total of \$160,000,000 in Economic Aid. Experts point out that this is the first large-scale Economic Program planned by the United States in the Middle East. This Program, they add, emphasizes a trend toward establishing a stronger economic base by increasing the capital goods structure, and would augment the technical assistance programs carried out on a small scale in recent years.

U.S. experts are confident that the proposed Middle East Command will strengthen a feeling of security in the Middle East and overcome an attitude of "neutralism". They add that the proposed Command would extend the whole strength of NATO into the Middle East, and increase military and economic aid from the United States.

FEB 15. TURKEY CITES NEED FOR MIDDLE EAST DEFENSE COMMAND

Ankara, October 15 -- Turkey feels that a Middle East Command is needed to maintain the peace and security of the area, according to a communique issued by the Turkish Government. The communique was issued late Sunday following a meeting here of Turkish officials and top military leaders from France, Great Britain and the United States.

CABLEGRAM.

SECRET.

MB/LB.

L. 17926.

FROM:

Dated: 15th October, 1951.
2141.
Rec'd: 16th October, 1951.
8.30 a.m.Australian Embassy,
WASHINGTON.

1818. PRIORITY. SECRET.

Addressed to Canberra 1818 repeated to Australian
High Commissioner's Office London 218, unnumbered for Cairo.

Middle East Command.

Your 1503, 112 to Cairo, 5781 to London.

We saw Wells Stabler Acting Deputy Director Office Near Eastern Affairs this afternoon. They received from Cairo just after midday today the reply of the Egyptian Government rejecting the invitation. The rejection was in such positive terms it did not appear to leave room for any further approach to the Egyptian Government. However no decision had yet been taken regarding further representations by the United States on the Command issue or treaty issue nor could Stabler say when one would be taken. They would be interested to have the text of any statement made by the Australian Government regarding either issue.

Meanwhile there was a grave risk of rioting particularly in Cairo, Suez, Alexandria and Port Said and he doubted whether the Egyptian Government would take sufficiently energetic measures at the outset to ensure the safety of Westerners. It was probable that British troops would be able to defend the Canal Zone and Sudan and it was unlikely that the Egyptian Government would seriously contemplate any aggressive action there. United States Service Authorities were strongly in favour of retention of a strategic foothold in Egypt.

Stabler explained that at 10.00 a.m. on Saturday 15th October or as nearly thereafter as practicable, United States Representatives in all Arab League capitals as well as Israel had informed those Governments of the Command proposals and the approach to the Egyptian Government. The United Kingdom and French Representatives had done likewise as had the Turks in the one or two cases where they had received instructions in time. They had explained that it was proposed that other Middle Eastern States should be invited to join the Middle East Command Liaison Office and that full details could not be supplied at the moment. The importance of inclusion of Israel in order to cover the whole Middle Eastern Area was stressed.

In making approaches to Israel, the United States Representative and Stabler understood that the United Kingdom and French Representatives were instructed to emphasise the particular importance attached to association and that details and the manner of association would have to be worked out with founder members so that Israel's interests would be protected.

250/10/5/14.

/Stabler.....

CABLEGRAM.

SECRET.

-2-

I. 17926.

Stabler said that owing to need for haste and difficulty of communications in Middle Eastern States the approaches had taken different forms. Some difficulty (finlly overcome) had been caused in Syria and Lebanon by French attempts to assert a special position. The United Kingdom had taken the lead in Jordan and Iraq owing to her special treaty position which was appreciated by United States. Jordan had already indicated full support of the Middle East Command and her preliminary response had been hopeful. The estimate by United States representatives in the field was that there were reasonable prospects of some if not all Arab States giving support even if Egypt refused to come in.

Iran had not been approached nor officially informed. The State Department favoured some action but United Kingdom were dubious.

Stabler said that the State Department press release of proposals had been made after consultation with the United Kingdom Government. The State Department assumed that reference to participation by Australia and other Commonwealth Governments had been cleared with them by United Kingdom Government. The first actual release had been made by the Egyptians with the agreement of other sponsoring Governments.

Minister and Department of External Affairs,
Prime Minister's Department.

17th October, 1951.

DEPARTMENT OF EXTERNAL AFFAIRS.

CABLEGRAM.

SECRET.

MS/LB.

I. 17928.

FROM:

Dated: 15th October, 1951.
1859.
Rec'd: 16th October, 1951.
1.45.p.m.Australian Embassy,
WASHINGTON.1814. PRIORITY. SECRET.

For the Secretary from the Ambassador.

Your 1303. Middle East Command.

Assume you are aware that the text of the four power proposal to Egypt has been made public. The State Department has released the text which includes reference to Australia's agreement in principle to participate in S.A.C.M.E.

I have refrained from speaking with the State Department on S.A.C.M.E. as the Australian Government's reply on the question of participation was passed through the United States Ambassador in Canberra. However it would seem desirable at this stage to obtain the United States views at high level in relation to the Middle East generally and Egypt in particular, having in mind the present treaty dispute. In this regard it would be helpful to have an indication of the Government's present thinking. I have seen radio version of Minister's comments on 11th October.

Min & Dept of E. A.

P.M.'s. Dept.

16th October, 1951.

JL RAN

250/10/5/14
* 250/10/5/14

SECRETARY	
A.S. (U.N.)	
A.S. (O.R.L.)	
A.S. (Adm.)	
C.R. (L & U)	
U.N.	
Tech. Adm.	
K. R.	
Peru	
West	
Central	
Am. & Pro.	
Yug.	
Other	

DUPLICATE

AUSTRALIAN EMBASSY
WASHINGTON 2, D. C.

MEMORANDUM NO. 1889/51.

15th October, 1951.

MEMORANDUM FOR:

The Secretary,
Department of External Affairs,
Canberra, A. C. T.,

Anglo-Egyptian Relations

We are forwarding herewith for your information State Department press release No. 915 dated 10th October, 1951, in connection with a statement by Secretary Acheson at a news conference on Anglo-Egyptian relations.

(Sgd.) O. L. Davis

(O. L. Davis)
First Secretary

Encl. 2

:MML

American
Original on 16/10/51.

jl
25/10/51/4

DEPARTMENT OF STATE

OCTOBER 10, 1951

FOR THE PRESS

NO. 915

Secretary Acheson today made the following statement at his news conference:

ANGLO-EGYPTIAN RELATIONS

The American Embassy in Cairo has confirmed that the Egyptian Prime Minister on October 8 introduced in the Egyptian Chamber of Deputies draft legislation which would abrogate the Anglo-Egyptian Treaty of 1936 and the Anglo-Egyptian Condominium Agreements of 1899 which provide for joint Anglo-Egyptian administration of the Sudan.

The parties directly involved are the United Kingdom and Egypt and, in the case of the 1899 Agreements, the Sudanese people as well. However, these matters are also of general concern to the free world for they affect the security and defense of the important Middle East area.

None of the agreements in question provides for abrogation. The United States Government believes that proper respect for international obligations requires that they be altered by mutual agreement rather than by unilateral action of one of the parties. Furthermore, it should be noted that procedures wholly in accord with such respect for international commitments have already been set in motion.

During past months, new proposals to be offered to Egypt have been under consideration and the Egyptian Government had been informed that proposals were to be presented to it within the next few days. It is the belief of the United States that a solution to the Anglo-Egyptian question can be found through these proposals. The United States considers that the new proposals, shortly to be presented to the Egyptian Government should serve as a sound basis for an agreement which will not only satisfy the interests of all parties concerned, but also contribute to the defense of the free world in which the Middle East plays such an important role.

* * *

American

U.S. INFORMATION CENTER

7, WYNYARD STREET,
SYDNEY

WIRELESS BULLETIN NO 150

OCTOBER 15, 1951

FEB 1 / FOUR POWERS PROPOSE MIDDLE EAST COMMAND

25/10/51/4
Washington, October 15 -- The British base for defense of the Suez Canal would be handed over to the Egyptians and simultaneously become a base under an Allied Middle East Command in which Egypt would share full participation with other nations, under terms of Four-Power defense proposals presented to Egypt.

In making the proposals Saturday in Cairo, The United States, the United Kingdom, France and Turkey invited Egypt "to participate as a Founder Member of the Middle East Command on a basis of equality and partnership with other Founder Members."

The proposals, made public here Sunday by the U.S. State Department include a set of principles in which the Four Powers cited Egypt as part of the Free World and said, "in consequence her defense and that of the Middle East in general is equally vital to other democratic nations."

The British Ambassador to Egypt, Sir Ralph Stevenson, U.S. Ambassador Jefferson Caffery, Turkish Ambassador Hulusi Faud Togay, and French Ambassador Maurice Couve de Mauville presented the proposals in separate calls on Egyptian Foreign Minister Mohamed Salah El Din Pasha.

The set of principles observed that "the defense of Egypt can only be assured through the effective defense of the Middle East Area and the coordination of this defense with that of adjacent areas."

The documents propose establishment of an Allied Middle East Command "in which the countries able and willing to contribute to the defense of the area should participate." Accordingly, invitations to participate in the Command have been addressed to Australia, New Zealand and the Union of South Africa who have indicated their interest in the defense of the area and who have agreed in principle, it was said.

A U.S. State Department spokesman said that Iraq, Syria, the Jordan Kingdom, Israel and Saudi Arabia were also informed of the proposals by representatives of the Four Countries.

The Four-Power communication outlined the terms under which the proposed Allied Command would be set up with headquarters in Egypt and said that if Egypt is prepared to cooperate fully, Britain would be willing to agree to supersession of the Anglo-Egyptian Treaty of 1936 and to withdraw such British forces as are not allocated to the Command by agreement between Egypt and the other Founder Nations.

"In keeping with the spirit of these arrangements Egypt would be invited to accept a position of high authority and responsibility with the Allied Middle East Command and to designate Egyptian officers for integration in the Allied Middle East Command Headquarters Staff," it was said. Facilities to train and equip Egyptian forces will be provided by participating members, the documents added.

The Four-Power documents observed that the exact relationship of the proposed Command with the North Atlantic Treaty Organization remains to be worked out.

"For this purpose it is proposed that all Founding Members of Allied Middle East Command should send military representatives to a meeting to be held in the near future with the object of preparing detailed proposals for submission to the governments concerned," it stated.

In common with the other participating powers making similar contributions, Egypt would be called upon to furnish the proposed Command Organization "such strategic defense and other facilities on her soil as are indispensable for the organization in peacetime of the defense of the Middle East," the proposals stated, and would grant the Allied Forces "all necessary facilities and assistance in the event of war, imminent menace of war or apprehended international emergency including the use of Egyptian ports, airfields and means of communication."

The strength of the Allied forces to be stationed in Egypt in peacetime "would be determined between the participating nations including Egypt from time to time as progress is made in building up the force of the Allied Middle East Command," it was stated.

"It would also be understood that an air defense organization including both the Egyptian and Allied Forces would be set up under the command of an officer with joint responsibility to the Egyptian Government and to the Allied Middle East Command for the protection of Egypt and Allied bases," the communication concluded.

In confirming last Friday that proposals would be made to Egypt, a State Department spokesman said that the United States hoped that it will be possible to move forward rapidly on the basis of the proposals in working out adequate defense arrangements for the Middle East.

"As the Secretary of State Acheson said on October 10 in discussing the Anglo-Egyptian situation, it is believed that these proposals should serve 'as a sound basis for an agreement which will not only satisfy the interests of all parties concerned but also contribute to the defense of the Free World in which the Middle East plays such an important role,'" the spokesman stated.

FEB 4 -- POLISH LEADER CONDEMN'S RUSSIAN IMPERIALISM

Washington, October 15 -- Under the mask of the Communist creed Soviet Imperialism endeavors to force the Polish people into the vanguard of "the Soviet march toward total world domination" according to General Thaddeus Bor-Komorowski, former Commander in Chief of the Polish Army.

DEPARTMENT OF EXTERNAL AFFAIRS

CABLEGRAM.

SECRET.

DBB:NB

I. 17858

FROM:
Australian Legation,
CAIRO

Dated: 14th October, 1951.
0124
Rec'd: 15th October, 1951.
8:30 a.m.

198 SECRET. IMMEDIATE.

Following for Watt from Massey.

Your telegram 111. Middle East Command.

The British Ambassador informed me on the morning of 13th October that the Middle East Command proposals were not ready for presentation when the Egyptian Government announced the intention to abrogate the Anglo-Egyptian Treaty.

On the 6th October, the British Ambassador had informed the Egyptian Prime Minister that the proposals would be submitted on 10th October. As stated in my telegram 189, the Egyptian Government had announced that a statement regarding the Treaty would be made on 15th October but suddenly on 8th October it was announced that the statement would be made forthwith. The conclusion is that the Egyptian Prime Minister, in anticipation of proposals for mutual abrogation, changed his plans for the sake of political victory. In this respect he has undoubtedly achieved a national triumph. Consequently it was considered by the United Kingdom, the United States, French and Turkish Ambassadors inappropriate to present the proposals until demonstration acclaiming statements had died down. However, the four ambassadors concerned were instructed by their governments to present the proposals without delay and these were submitted to the Egyptian Government on the morning of 13th October.

I am not able to offer any comments on leakage regarding Australia's agreement to participate in principle as I am confident the leakage did not occur here.

If necessary please repeat to London and Washington.

Min. & Dept. E.A.
P.M's

15th October, 1951.

~~7-10-12~~ PA
250 | 10 | 5 | 14

DEPARTMENT OF EXTERNAL AFFAIRS.

CABLEGRAM.

SECRET.

T77P:EGM:

I. 17857

Dated: 14th October 1951
0124
Rec'd: 15th October 1951
0850FROM:

Australasian Legation,
CAIRO.197. **SECRET. IMMEDIATE.**

Repeated to Washington number 2 and London 12.

For Watt from Massey.

Your telegram number 112. Have just arrived from Alexandria after discussion with the British Ambassador following the meeting of the four Ambassadors mentioned by you. The British Ambassador presented the Middle East Command invitation to the Egyptian Minister for Foreign Affairs this morning, October 13th at 10 A.M. The other Ambassadors were to call on the Egyptian Minister for Foreign Affairs supporting the proposals presented by the British Ambassador. When receiving the proposals the Egyptian Ambassador said that no decision had been made \emptyset the proposals would, therefore, receive consideration. We are not very hopeful of agreement and it is also felt that questions affecting the Sudan apart from others will probably jeopardise the acceptance of the proposals.

MIN. & DEPT: E.A.
L.M.'s DEPT:

15th October 1951

250/10/5/4

DEPARTMENT OF EXTERNAL AFFAIRS

CABLEGRAM. I.12856 SECRET.

Dated: 13th October, 1951.

1808

Rec'd: 15th October, 1951.

8.30 a.m.

MG:HP

FROM:

Australian Embassy,
WASHINGTON.1811. SECRET. IMMEDIATE.

Your 1302 - S.A.C.M.E.

Raynor has confirmed that the proposal was to make a formal approach to Egypt at 10.00 a.m. 13th October.

A.P. News Service reports joint approach by Ambassadors of the four countries having been made. Initial Egyptian reaction reported to be "chilly". Diplomatic Authorities in Washington are quoted as stating that the United States is prepared to make substantial contributions of arms to S.A.C.M.E.

Min. & Dept. of External Affairs.
P.M.'s.

15th October, 1951.

SECRETARY	<input checked="" type="checkbox"/>
AS. (U.N.)	<input type="checkbox"/>
AS. (H.R.)	<input type="checkbox"/>
AS. (Admin.)	<input type="checkbox"/>
OR. (L. & M.)	<input checked="" type="checkbox"/>
U.N.	<input type="checkbox"/>
Tec. Ass.	<input type="checkbox"/>
E. R.	<input type="checkbox"/>
Pho.	<input type="checkbox"/>
West	<input type="checkbox"/>
Central	<input type="checkbox"/>
P.I.	<input type="checkbox"/>
Doc. & Inv.	<input type="checkbox"/>
Int.	<input type="checkbox"/>
Admin.	<input type="checkbox"/>
Personnel	<input type="checkbox"/>
Proc.	<input type="checkbox"/>

JL
M
250/10/5/14 TDR

DEPARTMENT OF EXTERNAL AFFAIRS.

CABLEGRAM.

SECRET.

1201.

1.17794.

Dated: 12th October, 1951.

1556.

FROM:

Rec'd: 14th October, 1951.

0900.

Australian Embassy,
WASHINGTON.

1201.

SECRET

PRIORITY.

Middle East Command.

Reference our cable 1701 dated 10th October,
Wells Stabler informs us that up to this morning no approaches
had been made to Egyptian Government. We understand all
four ambassadors in Cairo had received instructions but were
not agreed amongst themselves as to whether the approach
as originally planned should now be made.

Minister and Department External Affairs.
Prime Minister's.

14th October, 1951.

250/10/5/4.

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper *The London Times*

File No. 250/10/5/14.

Published at... *Canberra*

Date 16/10/57

250/10/5/14

ALEXANDRIA, Monday.

The Egyptian Parliament is expected to pass legislation tonight designed to "kick out" Britain from the Suez Canal zone and the Sudan.

Cabinet has decided to reject Four-Power proposals on Middle East.

Reuter's diplomatic correspondent says British Ministers and officials have made it clear that Britain will stand on her 1936 treaty rights with regard to stationing troops in the Suez Canal zone.

Britain, France, the United States and Turkey offered to hand over the British Suez Canal base to Egypt on condition that it became an Allied base within an Allied Middle East command.

If the Egyptian Government approves the Cabinet rejection of the Four-Power defence proposal, Britain, France, the United States and Turkey will go ahead with their plans.

Representatives of the four countries will confer immediately on the next step to set up a Middle East command.

The Egyptian Cabinet said the proposals in the Four-Power note fell short of national aspirations, which were:

(1) Total and immediate evacuation of British troops from the Suez Canal zone;

(2) Unity of the Nile Valley under the Egyptian crown.

A "Daily Express" report says Egyptian sovereignty over the Sudan was said to be the price King Farouk's Government was demanding for agreement to the Suez defence plan.

The Egyptian Cabinet tonight will present the Four-Power proposals and its recommendations to Parliament.

It is expected that Parliament

will first approve Egyptian abrogation of the 1936 Anglo-Egyptian Treaty and the 1899 Condominium Agreement.

Under these agreements Britain has the right to keep 10,000 troops in the Suez Canal zone.

They also provide that Britain and Egypt shall jointly govern the Sudan under a condominium.

Diplomatic circles said they were not surprised at reports that the Government had decided to reject the Four-Power offer.

A spokesman at one Embassy said: "In their present highly emotional mood Egyptians are capable of anything."

Reuter's Cairo correspondent said to-day that Egypt will find it difficult to reject out of hand the four-Power proposals for Middle East Defence and the British plan for the administration of the Sudan.

"They represent the greatest step yet taken to gratify Egyptian national aspirations, evacuation of the British troops and unity of the Nile Valley under the Egyptian crown.

"Without the co-operation of Britain, Egypt is physically incapable of achieving these aspirations. Even abrogation of the 1936 Treaty and the 1899 Sudan Condominium Agreement which the Parliament is expected to approve to-night would be little more than a gesture.

"The unmistakable truth is that Egypt could not force British troops from her soil and she is incapable of absorbing the Sudan into a greater Egypt."

Reuter says that observers in Cairo believe that the British Government had shown its first effort at statesmanship in recent years in dealing with Middle East problems by offering Egyptian substantial satisfaction of both her aspirations.

It adds, "Egypt, which professes the same ideals as the rest of the free world, has been presented with challenge from the Western Powers that she will find difficult to refuse."

A threat to blow up British military posts in Egypt was voiced in Cairo yesterday as the belief grew there that the Egyptian Cabinet would reject the Western invitation.

The threat came from Saich Harb Pasha, a former Minister for War and president of the Young Men's Mohammedan Association.

He said in a speech, "The British will see that we are no less cruel than the Jews. We will whip them. We will blow up their posts and installations."

Egypt, he added, should boycott the British and treat them as "untouchables."

American United Press quotes Harb Pasha as saying that the invitation by Britain, France, the U.S. and Turkey to Egypt to join a Middle East defence network was "only a British manoeuvre to keep Egypt underfoot."

Earlier the Swedish defence Minister, Torsten Nilsson, said in Stockholm that the Egyptian Defence Minister, Mustapha Nasrati Pasha, had asked him to delay Swedish arms orders so that Egyptian orders could be finished more quickly. "I told him that was absolutely impossible," Nilsson added.

Military spokesman in Nicosia and London have refused to confirm or deny reports there that British parachute troops are preparing to leave Cyprus for Suez to-day or to-morrow.

The British note to Egypt said that detailed organisation of the proposed command and its exact relationship with the North Atlantic Treaty organisation would be worked out at a meeting to be held soon.

The four Powers hoped that Egypt would agree to the Allied supreme headquarters being located in her territory.

The Note made five suggestions which it was hoped Egypt would "carefully consider with a view to discussing them fully with Britain.

1. An international commission to reside in the Sudan, taking over the constitutional movements of that country and rendering advice to the condominium.

2. A joint Anglo-Egyptian element of common principles.

3. An international guarantee.

British Statesmanship At Last

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper.....

File No.....

Published at.....

Date.....

From Our Staff Correspondent and A.A.P.

LONDON, Oct. 13. — Britain, America and Turkey to-day presented to Egypt proposals for co-operative defence arrangements in the Middle East.

In fiery speeches from mosques throughout Egypt yesterday, priests urged millions of Moslems to prepare for a "holy war."

The Diplomatic Correspondent of "The Times" says the proposals for Middle East defence assure Egypt of a very important role,

especially in the defence of Egypt itself.

The Egyptian Government has the proposals before it two days before Parliament meets to ratify the decrees abrogating the 1936 Anglo-Egyptian treaty of alliance and the Sudan condominium agreement, and annexing the Sudan to Egypt.

Observers in Cairo and London do not expect the ratification of these decrees will be stayed, but they hope that a better influence will prevail because of the new proposals.

If details can be satisfactorily worked out, the intention is for the proposals to replace the 1936 treaty.

The proposals are for a Middle Eastern Command in which Egypt would be an equal member with the United States, France, Britain, and Turkey.

The United States would be directly involved, if they wished.

through this Command, in the defence of the Middle Eastern area.

It is assumed that the headquarters of the Middle East Command would be in Egypt and that it would have responsibilities in the defence of the Suez Canal zone.

The new proposals have been under discussion for some months by the Governments concerned and their Ambassadors in Egypt. Commonwealth countries are expected to be involved in the proposed new defence arrangements.

Earlier reports had referred to plans for a Middle Eastern defence board on which Britain, France, the United States, Turkey, South Africa, Australia, and New Zealand would be represented initially, with Egypt and other Middle Eastern States having an opportunity of joining later.

DEPARTMENT OF EXTERNAL AFFAIRS.

CABLEGRAM.

SECRET.

PM:EGM:

I. 17669

Dated: 10th October 1951
 2211
 Rec'd: 12th October 1951
 0830

FROM:
 Australian Embassy,
WASHINGTON.

1791. SECRET. IMMEDIATE.

Egypt.

We saw Wells Stabler today, Acting Deputy Director Near Eastern Affairs, State Department. Following is summary of his comments regarding Egyptian draft legislation to abrogate Anglo-Egyptian Treaty and its impact on Middle East Command negotiations.

1. On Sunday 7th October Turkey had finally agreed to join Middle East Command on understanding that her membership of N.A.T.O. would be ratified by other member Governments in due course.

2. British, French, United States and Turkish Ambassadors in Cairo had instructions to approach the Egyptian Government regarding participation in the Command immediately they received word of Turkey's participation. Owing to delay in transmission of messages, the United States Ambassador had not received word until Tuesday 9th October Cairo time. It was not clear whether all other Ambassadors had received final instructions. As a result no formal approach had been made to Egyptian Government, but both Egyptian Prime Minister and Foreign Minister were aware approach was going to be made.

3. Nasser had nevertheless gone ahead with introduction of abrogation legislation, probably largely for domestic political reasons to obtain temporary popularity to counter serious corruption charges being levelled against his Government.

4. King Farouk had previously been sounded out but when the British Ambassador saw him on Tuesday 9th October Farouk admitted he was now powerless and could not intervene.

5. It was not finally settled whether the approach as planned would still be made by the four Governments concerned to the Egyptian Government regarding the Middle East Command. United States still wish to go ahead and Stabler was almost sure United States, United Kingdom and France would do so before the end of the week. He was unaware of Turkey's intentions.

~~7911~~
~~7911~~ (2/18)
 29/10/51/4
 DK

CABLEGRAM.

SECRET.

6. It was difficult to predict the reaction of the Egyptian Government if approach were made. They might well agree on condition that Great Britain withdrew troops from the Canal Zone and evacuated Sudan. This could, of course, not be accepted by United Kingdom. In that event arrangements for setting up the Middle East Command in some other place would have to proceed, but that would seriously affect participation of Turkey and association of other Middle Eastern countries.

Stabler also referred to the Secretary of State's press statement on 10th October indicating disapproval of Egyptian draft legislation and pointing out the international obligations should be altered by mutual agreement rather than by unilateral action. The statement mentioned "new proposals shortly to be presented to the Egyptian Government" which would provide a solution to the Anglo-Egyptian question and "serve as a sound basis for an agreement which will not only satisfy the interests of all parties concerned but also contribute to the defence of the free world in which the Middle East plays such an important role".

Burrows, Senior Counsellor, at the British Embassy subsequently informed us that so far as he was aware, the United Kingdom Government had not finally made up its mind whether to present existing proposals regarding the Middle Easter Command within the next 2 or 3 days. London apparently wished to do so, but the British Embassy Cairo had queried this. We also gained the impression from Burrows that it was settled United Kingdom policy to stand firm in Egypt and Sudan in any event.

MIN. & DEPT. E.A.
P.M.'S.

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Ministry

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper

S.M. #6

File No.

250/10/5/14.

Published at

Sydney.

Date

19/10/57

to break up mob which

45/10/3/11
U.S. SETTLEMENT HOPES

The U.S. Secretary of State, Mr. Dean Acheson, yesterday said that the U.S. Government "believes that respect for international obligations requires that they be altered by mutual agreement rather than by unilateral action by one of the parties."

He said that the Anglo-Egyptian agreement does not provide for cancellation by one of the parties.

New proposals for the defence of the Middle East, involving a number of nations, would be presented to Egypt within the next few days, he said.

"SOUND BASIS"

"The United States considers that the new proposals . . . should serve as a sound basis for an agreement which will not only satisfy the interests of all parties concerned, but also contribute to the defence of the free world, in which the Middle East plays such an important role."

NOT FINAL YET

The Egyptian Ambassador to the United States Abdul Rahim Bey, said today that satisfaction of Egypt's national aspiration to the Sudan and the Suez Canal area is an essential condition of Egypt's participation in any Middle Eastern defence alliance.

He said in a Press statement that, after such an alliance was formed, the Egyptians expected that Egyptian troops would take command of the Suez Canal area, "with the help of our Allies, no doubt."

He repeatedly reminded correspondents that Egypt has not yet actually abrogated the Anglo-Egyptian treaty, but has only taken steps preparatory to such a move.

"Submission of the bills to Parliament at this time will have a good effect on Egypt and create a favourable

atmosphere for the reception of the proposed plans for the joint defence of the Near East," he said.

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper

File No.

250/10/5/14

Published at

Date

12-30 P.M.

11/10/51

250/10/5/14

The Egyptian Ambassador to the US indicated in Washington yesterday that under certain circumstances Egypt would not object to foreign troops in the Suez area. He made it clear that Egypt would have to have control of the area because acceptance of Egypt's national aspirations was an essential condition if Egypt were to participate in any defence alliance. The Ambassador repeatedly reminded correspondents yesterday that Egypt had not yet actually abrogated the Anglo-Egyptian Treaty of 1936 but had only taken preparatory steps in this direction. He said the Egyptian Govt was pleased the US Secty of State Mr Acheson had declared that the new British proposals should provide a basis for the satisfying of the claims of all interested parties. Earlier yesterday, Mr Acheson condemned Egypt's proposal to abrogate the treaty. He pointed out that the Egyptian Govt had decided on this course of action while aware that Britain was about to present new proposals, which would be presented in co-operation with other Western Powers, and which would not only improve Anglo-Egyptian relations but also strengthen the security of the Middle East. BUP quotes US officials as saying that Egypt would become a full partner with America, Britain, France and Turkey if she agreed to take part in the defence plans. In London, a British Minister, Mr Dalton, said that British troops would remain in Egypt the Suez area until the Anglo-Egyptian Treaty was revised by agreement. He said Egypt presented a completely different situation from Persia, where no British troops had been stationed. He said it was hoped that other nations would help Britain in the maintenance of Middle East defence.

Name of Paper *The Canberra Times* File No. 250/10/5/14
 Published at *Canberra* Date 14/10/57

250/10/5/14 WASHINGTON, Wednesday.

Ultimate solution of the Egyptian crisis might be a plan for international control of the Suez Canal, in which Egypt would have equal authority, say diplomatic officials in Washington.

The United States would join Britain, France and Turkey in offering Egypt a strategic role in Middle East defence planning and protection of the vital seaway, says United Press.

This offer was decided upon by the four Powers before the Egyptians started action designed to

NO STATEMENT BY MR. MENZIES

The Minister for External Affairs, Mr. Casey, told the House of Representatives yesterday that a statement on the Egyptian situation would be made by the Prime Minister, Mr. Menzies, later in the day.

Later, however, it was announced that the statement had been deferred.

oust British troops from the Suez Canal Zone.

Officials said the offer would still be made, although reports from Cairo stated that Egypt probably would reject any such plan that would leave British troops in the Suez Canal zone.

Therefore, the four-Power formula might be "sweetened up" a little before it is sent to Cairo,

to allow some latitude for bargaining.

London reports that Britain has decided that her troops will stay in Egypt until an agreement is reached replacing the 1936 treaty which Egypt this week denounced.

Ministers, in consultation with the Foreign Secretary, Mr. Morrison, have also reaffirmed their determination that the Sudanese must be consulted before any change is made in their status.

This was learned in the highest quarters, following a statement by Mr. Morrison refusing to recognise the legality of the Egyptian action.

"The British Government maintains its full rights under the treaty," declared Mr. Morrison, who said that Britain took the strongest exception to the Egyptian move.

The final plan could be a five-power system of control of the canal, a key sea link between West and East.

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper

File No. 250/10/5/14

Published at

Date

Minister anticipating the day's "Diplomatic Correspondence" at 77,400.

THE STUMBLING-BLOCK

Reuters Diplomatic Correspondent says the future of the Sudan is the real stumbling-block between Britain and Egypt. Britain has two battalions in the Sudan.

Under the condominium agreement of 1899, confirmed in the 1936 Anglo-Egyptian Treaty, the Sudan is jointly administered by Britain and Egypt. In fact, the administration has been almost completely in British hands.

Successive British Governments have felt it to be wrong to hand over to Egyptian rule a people which has been moving steadily nearer to political maturity, without sounding Sudanese views on the future of the country.

Egypt, however, has always insisted on the principle of unity of Egypt and the Sudan under the Egyptian Crown, and has never been prepared to tolerate the possibility that the Sudan might seek total independence.

No Divorce From West

WASHINGTON, Oct. 10.—The Egyptian Ambassador, Mohamed Kamil Bey Abdul Rahim, yesterday called on the U.S. Secretary of State, Mr. Dean Acheson, in Washington.

The Ambassador told reporters that Egypt's move "does not mean at all that Egypt is divorcing herself of her friends and allies of the West."

Egypt was ready for full co-operation in the West, on condition that her national aspirations were fulfilled and that she was treated on a basis of full equality with Britain.

Mr. Rahim said Egypt

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper.....

Pub. sea at.....

File No.....

Date.....

Plans For
Joint ^{250/10/5/14}
Suez Force

STAFF CORRESPONDENT
AND A.A.P.

LONDON, Oct. 9.— Before Egypt's announcement, the Ambassadors of Britain, United States, France, and Turkey had met in Cairo to discuss a method of offering Egypt full partnership in a Middle East defence organisation.

The United States Ambassador was present because of America's direct interest in Middle East defence in relation to Western defence plans generally.

The "Daily Express" correspondent in Washington says that Egypt seems to have anticipated an Anglo-U.S. plan to make Suez the headquarters of a joint Middle East Command in which Egypt would be a full partner.

Other members would be Britain, the United States, France, and Turkey.

The Diplomatic Correspondent of "The Times" says that the Egyptian Government was aware that new proposals were on the way from London based on an agreement reached in Washington on the setting up of a Middle East Command.

Under such an arrangement, with a joint Allied force defending Suez, the 1936 treaty would be abrogated by mutual consent.

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper. D.M.R. Karachi. File No. 950/10/5/14.
Published at. Karachi. Date. 10/9/57

Violations.

250/10/5/14
EGYPT IS REPORTED TO BE CONSIDERING THE SUSPENSION OF THE AMERICAN ECONOMIC AID under President Truman's Point Four Programme of assistance to under-developed countries. Reporting this today, an Egyptian newspaper said that the Egyptian Government's decision was the result of the attitude adopted by the U.S.A. in voting for the recent U.N. resolution, calling on Egypt not to interfere with shipping in the Suez Canal zone. The paper said that Egypt considered the American policy unfavourable and aggressive towards the national aspirations of the Egyptian people. (KARACH.)

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper..... 4 C.R. No 246 File No. 250/10/5/14
Published at..... LONDON Date. 9/10/51

40. EGYPT HELD WILLING TO COOPERATE BY AMBASSADOR.

250/10/5/14

WASHINGTON, Oct. 9 - Egypt's Ambassador to the United States says his Government's proposal to abrogate its bilateral treaty with Great Britain "does not mean that Egypt is divorcing itself from its friends and allies in the West".

"We are willing", Ambassador Mohamed Kamil Bey Abdul Rahim said today "to cooperate wholeheartedly on condition of the realization of the natural aspirations of our country and to deal with England on an equal footing".

The Ambassador spoke to newsmen after calling on Secretary of State Acheson to explain Egypt's position on the matter. (Egyptian Prime Minister Mustafa Nahas Pasha asked Parliament Monday to approve a decree abrogating the 1936 Treaty under which British troops are allowed to guard the Suez Canal).

The Ambassador cautioned newsmen not to "dramatize" the situation and pointed out that Egypt had been negotiating with Britain since 1946. Asked for the views of Egypt regarding a possible role in the free nations' defense of the Mediterranean, he said no definite proposal had been received, but that Egypt would be ready to examine any proposal with care and was ready to accept its responsibility.

Earlier today, State Department Press Officer McDermott answered newsmen's questions on the Egyptian matter with the statement that the State Department had no comment. McDermott added that beyond confirmation of the Egyptian action the Department had received as yet no background information from the U.S. Embassy in Cairo.

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper. Extract from ABC News File No. 250/10/5/14
Published at. 12.30 pm Date. 30/8/57

EXTRACT FROM ABC NEWS 12.30pm 30 Aug 1951

The Russian delegate to the UN Security Council has forced the Council to postpone the debate on Egypt's shipping blockade in the Suez. Council was about to vote last night on the western powers' resolution condemning Egypt for maintaining the blockade when the Russian delegate threatened to use the veto unless the matter were adjourned until Saturday. He said he wanted to introduce new Russian proposals. Council agreed to adjourn until Saturday but it is expected that the vote, which has already been postponed several times, will not be taken until next week at the earliest because delegates and govts will want time to consider the new proposals. Details of the new Russian proposals have not yet been made known. In yesterday's debate the Egyptian delegate complained that Egypt's plan to have the dispute referred to the International Court should be upheld and that Britain, France Holland and the US should abstain from voting on the matter because they were interested parties. He said that Egypt's inspection measures in the Suez were insignificant compared with the measures taken by the US to ban the movement of strategic materials to Communist countries. The Syrian Foreign Minister said yesterday that Egypt nor any other Arab country would accept an order to lift the blockade on Israel.

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper. *S.M. 16* File No. 250/10/5/14
Published at. Date. 25/10/5/14

/Egyptians Stone Embassies

250/10/5/14

CAIRO, Aug. 27 (A.A.P.)—Several hundred Egyptian demonstrators yesterday stoned the British and American Embassies in Cairo and shouted: "Down with Britain."

One mob tore down a Union Jack.

Police used tear gas and fired into the air when the mob attempted to infiltrate a cordon around the embassies. Twenty policemen and 10 demonstrators were injured.

Troops were called out when mobs got out of hand in other parts of the city.

Students and others poured through the streets, shouting: "No alliance with pirates."

ANNIVERSARY

Yesterday was the anniversary of the signing of the 1930 Anglo-Egyptian Treaty, which Egypt now threatens to abrogate.

In London, the Reuters Diplomatic Correspondent says that Britain will speed up plans to attempt to meet Egyptian demands which are deadlocking talks for a revision of the treaty.

The Foreign Office yesterday refused to comment on a new Egyptian Note which said that negotiations would be broken off and the treaty abrogated failing fresh British proposals.

However, the Reuters Correspondent says that the British Foreign Secretary, Mr. Herbert Morrison, has indicated in private messages to Egypt that Britain is working on new proposals.

Observers believe the proposals will attempt to fit Anglo-Egyptian relations into the wider setting of Middle East security arrangements contemplated under the North Atlantic Treaty Organisation.

They say it is already clear that existing Egyptian-British bilateral arrangements for British military bases in the Suez Canal Zone will certainly have to be modified if the new Middle East defence arrangements are introduced.

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper. *The Canberra Times* File No. 250/10/5/14.
Published at. Date. 29/10/514.

SUEZ DISPUTE
FOR HAGUE

25/10/514 CAIRO, Friday.

Egypt intends to present the Suez Canal shipping question to the International Court at The Hague before the United Nations Security Council votes on the subject on Monday.

This was reported here today.

Egypt contends that the Powers accusing her could not act as judges at the same time by voting at the Council session.

The resolution which the Security Council is expected to pass criticises Egypt for preventing goods passing through the Canal en route to Israel.

Egypt still considers herself at war with Israel.

The Council resolution says the blockade is hurting several maritime powers not involved in the Arab-Israeli quarrel.

In reply quote No.



14th August, 1951.

CONFIDENTIAL

250/10/5/14

Memorandum No. 1508/51.

MEMORANDUM FOR:

The Secretary,
Department of External Affairs,
Canberra, A.C.T.,
Australia.

EGYPT.

Our telegram No. 1445 dated 13th August reported on a discussion with Mr. Wells Stabler, Acting Deputy Director of the Office of Near Eastern Affairs regarding the Suez Canal issue. Mr. Stabler thought it unlikely that the Egyptians would make any worthwhile response to fresh approaches. He also thought it unwise for the Security Council to defer action simply because they had doubts regarding Egyptian compliance with any decision the Council might take. Stabler felt that there was some prospect that the Egyptians would comply at least in part with any Security Council direction in order to avoid direct conflict with the Council's authority. The situation was not being helped by the volubility of Israeli leaders and representatives and the constant spate of propaganda put out by Israel.

Stabler went on to say that he did not think the Egyptians would be deterred by the possibility of antagonising the United States so that, for example, they would lose benefits under the U.S. Foreign Aid Programme. The Egyptians in common with other Near Eastern countries regarded foreign aid as something they were entitled to anyway and their mental mechanism did not appear to absorb the idea that their actions in other fields might affect the amount of aid they got. Stabler also thought the Egyptian Government were kept badly informed by their Embassy here as to United States views and reactions, but even if they were kept well informed he still doubted whether it would make much real difference to the Egyptian Government's unreasonableness. However, present tendencies in Congress to cut down the amount of aid to be provided under the Mutual Security Programme in Arab states in order to provide more for Israel and particularly for Palestinian refugees would certainly increase Egyptian recalcitrance. With regard to Egyptian threats to cancel the 1936 Mutual Defence Treaty with the United Kingdom, Stabler did not think early action by Egypt would necessarily follow. He thought it likely that positive action would be deferred until later on in September or October when the Egyptian Parliament reassembled. Even then it was by no means certain that Egypt would go ahead with her proclaimed intention as Stabler's feeling was that the Egyptians did not really want to abrogate the treaty.

Stabler added that there was no official foundation for suggestion which had appeared in the Press that Mr. Averell Harriman might be called on to mediate in the U.K.-Egypt dispute.

C. T. Moodie
(C. T. Moodie)
Counsellor

CS

*Copy given to General.
U.N. to see*

DEPARTMENT OF EXTERNAL AFFAIRS.

CABLEGRAM.

L. 10000.

Dated: 5th August, 1951.
2052.
RECD: 5th August, 1951.
2053.

Australian Ambassador
YUGOSLAVIA

1951. 8/5/51.

Mr. Stobler

Australian Mission to the United Nations, New York
475 Park Ave. 207.

Wells Stobler, Acting Deputy Director of Near Eastern Affairs, informed us today that the United States had been most reluctant to accept competence of Security Council Meeting which it was hoped would now take place Thursday, 6th August. They would oppose any further adjournment unless Egypt had voluntarily lifted restrictions or given other very positive proof of willingness to make concessions.

Stobler thought the probabilities were that the Yugoslav would maintain the present attitude and he gave little prospect of success to representations by other countries. When the council met Stobler thought there would be general discussion followed by adjournment to next week when vote would be taken. The Yugoslav had suggested amendment of the clause "caste upon Egypt" in the last paragraph of Draft Resolution to something less imprecise; even if this request were met, it was not certain Yugoslavia would support the resolution. However, leading in Near Eastern Affairs Office was that the resolution had to be proceeded with.

A/Min. & Dept. E.A.
Min. & Dept. Defence.
F.M.C.

5th August, 1951.

250/10/5/14.

DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA.

Name of Paper. The Canberra Times
Published at.

File No. 250/10/5/14
Date 18/10/57

SUEZ CANAL FREEDOM IS DEBATED

250/10/5/14
FLUSHING MEADOW.
Friday.

Brazil, Ecuador, Turkey, the Netherlands and Yugoslavia gave their support during the opening debate in the Security Council yesterday to a motion by Britain, France and the United States calling on Egypt to remove its blockade on Israeli-bound goods through the Suez Canal.

Before the Council adjourned the debate until Tuesday next, China and India announced that they would abstain.

Egypt, during the argument, claimed that the big three sponsors of the resolution and the Netherlands also should abstain from voting because they were parties to the blockade dispute.

DEPARTMENT OF EXTERNAL AFFAIRS. CANBERRA.

Name of Paper... N.M.R.C.B.B.C? File No. 250/10/5/14.
Published at. Date. 17/10/57

050/813 | 950/10/57/14
/ SECURITY COUNCIL ON SUEZ CANAL ISSUE. The U.N. Security Council has been discussing the resolution calling upon Egypt to stop interfering with shipping in the Suez Canal. The resolution is sponsored by the U.K., the U.S. and France.

The U.K. delegate, Sir Gladwyn Jebb, said Egypt claimed that a state of war existed between her and Israel, and she was therefore entitled to belligerent rights. Even if it was clear that such a state did exist, which was not the case, that would not justify interference with Suez Canal shipping. If it could be shown that the restrictions complained of were essential to Egyptian defence, the U.K. Government might take a different view. But Egypt was not being attacked and was under no immediate threat of attack.

The U.S. delegate, Mr. Warren Austin, said the Egyptian restrictions were inconsistent with the Palestine armistice agreement, and were endangering the peace of the Middle East.

The Netherlands, Turkish and Brazilian delegates have spoken in support of the resolution. The delegate of Iraq opposed it.

The Egyptian delegate, Mahmoud Fawzi Bey, said the resolution violated international law and some articles of the U.N. Charter. Any attempts to deny belligerent rights to Egypt would amount to imposing a political settlement, a thing which the Security Council was not empowered to enforce. Fawzi Bey argued that the U.K., the U.S., France, and the Netherland were parties to the dispute and therefore, according to the Charter, must abstain from voting.

The B.B.C's U.N. correspondent says that if the Egyptian objection to the right of the four powers to vote is sustained the resolution would fail to secure the necessary majority of seven votes. But he thinks it unlikely that the objection will be sustained.

CABLEGRAM.

SECRET.

PN:KC

I. 12450.

Dated: July 11 1951.
 1754.
 Recd: July 12 1951.
 1325.

DECYPHERED FROM:

Australian Mission to United Nations,
NEW YORK.

425. IMMEDIATE. SECRET.

Repeated Washington and London.

Suez Canal - our telegram 423.

1. We have been given, in confidence, by United Kingdom Delegation copy of suggested Security Council resolution, which Foreign Office sent to New York for comment. Care should be taken to avoid disclosure, particularly in London, that we already have this advance text although reference to general discussions of this matter with us in New York would not embarrass United Kingdom Delegation.

2. Our immediately following telegram indicates some of the alterations suggested by the United Kingdom Delegation. Following is text of draft resolution as originally drafted by Foreign Office - Begins:

"Draft resolution on the Egyptian restrictions on shipping through the Suez Canal. The Security Council -

1. Recalling that in its resolution of 11th August 1949 relating to the conclusion of armistice agreements between Israel and the neighbouring Arab States, it drew attention to the pledges in these agreements against further acts of hostility between the parties.
2. Recalling further that in its resolution of 17th November, 1950 it reminded the States concerned that the armistice agreements, to which they are parties, contemplate the return of permanent peace in Palestine and therefore urged them and other States in the area to take all such steps as will lead to the settlement of the issues between them.
3. Noting that the Chief of Staff of the Truce Supervision Organization in his report to the Security Council of 12th June, 1951, considered interference with the passage through the Suez Canal of goods destined for Israel to be a hostile and aggressive act and contrary to the spirit of the armistice agreement whose effective functioning is thereby jeopardized.
4. Further noting that the Chief of Staff of the Truce Supervision Organization recalled the statement of the senior Egyptian delegate in Rhodes on 13th January, 1949, to the effect that his delegation was inspired "with every spirit of co-operation, conciliation and a sincere desire to

98/14/5/14

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restore peace/.....

CABLEGRAM.

SECRET.

I. 12450.

"in Palestine" and that the Egyptian Government have not complied with the earnest plea of the Chief of Staff that they desist from the present practice of interfering with goods destined for Israel through the Suez Canal.

5. Considering that the exercise of the power of search and seizure against international commercial shipping is a right generally recognized only to a Power acting in the lawful exercise of belligerent rights.
6. Considering that since the permanent armistice regime has been in uninterrupted existence between Egypt and Israel for more than two years and three months neither party can reasonably assert that it is actively a belligerent or require to exercise belligerent rights for any legitimate purpose of self-defence.
7. Finds that the maintenance of these blockade measures is inconsistent with the spirit of the armistice agreement and an abuse of the exercise of maritime belligerent rights.
8. Further finds that these measures cannot in the prevailing circumstance be justified on the grounds that they are necessary for self-defence.
9. And further considering that the restrictions on the passage of oil tankers through the Suez Canal to Israeli ports are denying to nations at no time connected with the conflict in Palestine valuable supplies of refined oils required for their economic reconstruction.
10. And considering that such restrictions together with the sanctions applied by Egypt to certain ships, which have vested Israeli ports, represent an intolerable restriction of the rights of nations to navigate the seas and to trade freely with one another and with the Arab States and with Israel.
The Security Council
11. Calls upon Egypt to terminate the restrictions on the passage of international commercial shipping and goods through the Suez Canal wherever bound and to cease all interference with such shipping beyond that essential to the safety of shipping in the Canal itself and to the observance of the international conventions in force". Ends.

Minister and Department E.A.
P.M.'s

July 12 1951.

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West
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DEPARTMENT OF EXTERNAL AFFAIRS.

CABLEGRAM.

τ_o 13120

DECIPHERED FROM:

Dated: 20th July, 1951
2137
Rec'd: 23rd July, 1951
0900

Australian Embassy,
W A S H I N G T O N.

1287- CONFIDENTIAL. PRIORITY.

Repeated to Austunat.

Our 1277. Suez Canal.

1. Final decision on co-sponsorship may not be made for a few days, but Berry thought it possible that United States would do so.
 2. Regarding press reports that Egypt had dropped hints of preference for diplomatic settlement, Berry expressed the view that long delay on Egypt's part in responding to protests made it difficult to do other than proceed with proposed resolution. However, he agreed that Security Council hearing would add to tensions in a situation which was already delicately balanced. He also expressed some reservations regarding the views reported in paragraph 4 our 1277. ?

A/Min. & Dept. E.A.
" " Defence
P.M.'s

250 | 10 | 5 | 14

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DEPARTMENT OF EXTERNAL AFFAIRS.

CABLEGRAM

MB:GM

I. 13097

DECYPHERED FROM:

Dated: 20th July, 1951
1218
Rec'd: 21st July, 1951
0900Australian Embassy,
WASHINGTON.

1277. PRIORITY. CONFIDENTIAL.

Repeated to Austunat, your 812 Suez Canal.

Officer in charge of Egyptian Affairs, State Department in informal discussion expressed the following views.

1. The United States is considering co-sponsorship of resolution but final decision not yet made.
2. United States will support resolution calling on Egypt to terminate restrictions and interference to shipping in the Canal but if reference to I.C.J. were pressed they would not object.
3. They consider that basis of resolution should be breach of the spirit of the Armistice agreement and do not favour becoming involved in technical discussions on Belligerency and the effect of the Canal convention.
4. The United States has warned Egypt of its proposed attitude and thinks that the Egyptians would probably bow to resolution in some manner if it is passed.
5. The Department expects the matter to come up while Jebb is president and considers the prospect of majority reasonably good with China opposing, Soviet probably abstaining, Yugoslavia and India doubtful.
6. Desk officer expressed personal opinion that it would be inadvisable for maritime powers who have protested but are not members of Security Council to seek leave to appear as this might make the United States-United Kingdom appear to be parties to the dispute.

A/Min. & Dent. B.A
Min. & Dept. Defence
P.M.'s

21st July, 1951.

250/10/5/14

DISTINCTION
EGYPTIAN
A.S. (O)
A.S. (G.R.)
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E. B.
Pao.
West
Emarl.
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Int.
Arms.
Convoys
Other

N.Y.

CABLEGRAM.**RESTRICTED.**

:EGM:

I. 19914

Dated: 9th December 1950

1425

Rec'd: 10th December 1950

0900

DECYPHER FROM:

Australian Embassy,
WASHINGTON.

1099. RESTRICTED.

*got
copies*

Your 678 and 685. Suez Canal Traffic.
State Department advise as follows:-



1. United States attitude is affected by the fact that they are not signatories to the Cairo Convention and that legal interpretation of Convention is open to doubt. United States view is that the Convention is not unrestrictive, whereas French and Dutch claim that the whole purpose was to ensure free use at all times of the Canal.

2. United States considers that Egypt has gone too far in claiming continuance of belligerency. Egyptian inconsistency even extends to the claim that belligerency dates from 14th May 1948 before Israel became a sovereign State.

3. United States registered a protest to Egyptian Government last August regarding the impracticability of the restrictions and the impossibility of holding masters responsible. United States also reserved its position regarding the legal position. On 5th September Egypt replied stating disagreement with the United States point of view and that the object was to facilitate legitimate trade.

4. United States Embassy in Cairo recently instructed to reject Egyptian reply and also referring to the black-listing of ships in order to keep that issue on the record.

5. United States has not encountered a great deal of serious difficulty though a T.W.A. plane recently forced down in Egypt en route to Lydda had mails confiscated and still not returned.

6. United States is arranging joint consultation in Washington with United Kingdom, France, Netherlands and Norway probably some time between 16th and 24th December to discuss possibility of further diplomatic action. Department suggested we might wish to participate if our interests are affected and consider addition of further countries to protest might help.

MIN. & DEPT: E.A.
P.M.'s DEPT:

11th December 1950

revised
FILE 250/10/5/14

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K

DEPARTMENT OF EXTERNAL AFFAIRS.

CABLEGRAM.

RESTRICTED.

3G/MCG

ENCODE TO:

O. 17640/1/2
Sent: 6th December, 1950
545pm

Australian Embassy,
WASHINGTON 678

REPEATED TO:

Australian Embassy, PARIS 261
Australian Embassy, THE HAGUE 286

UNCLASSIFIED.

Glad to know present attitude of Government
to which you are accredited on the question of
Egyptian interference with Suez Canal Traffic.

EA
P.M.'S.

685 Repetition.

8th December, 1950.

DEPARTMENT OF EXTERNAL AFFAIRS CANBERRA.

Name of Paper: D.M.R. (New Delhi) File No: 250/10/5/14
Published at: Melbourne Page No :

Date: ; ; ; 14/12/50.

NORWAY-AMERICA PROTEST TO EGYPT. Norway and the U.S. have jointly protested to Egypt against interference with navigation through the Suez Canal. Britain, France and Denmark had already done so.

CABLEGRAM.**RESTRICTED.**

EGM:MD

I. 30604.

DECYFHER FROM:

Dated: 21st December, 1950.
1956.High Commissioner's Office,
L O N D O N.

Rec'd: 22nd December, 1950.

**ACTION
RECD.**6459. RESTRICTED.

For External.

Your 6108 Suez Canal Restrictions.

2. United Kingdom policy is to maintain its objections to restrictions without making this a major issue, protest strongly against the practice of blacklisting and ask shipowners to instruct masters to comply with barest minimum of regulations and then only under protest.

3. United States in general agrees with the United Kingdom attitude and has lodged further protest that regulations are unreasonable and cannot be justified by Egypt's defensive needs and the present situation but as far as can be ascertained has not issued instructions to shipowners.

4. France is anxious to take as stern a line as possible but unwilling unless in concert with other powers. Seems likely will take the same line as United Kingdom but this only Foreign Office surmise.

5. Norway agrees would not pay to make this a major issue and prefers to leave it to shipowners to find their own modus vivendi with Egyptian authorities.

6. Netherlands does not favour taking any action unless United States and United Kingdom take "concerted and effective action" and as far as Foreign Office can ascertain is adopting the same attitude as Norway.

7. Denmark is believed to be willing to adopt the same approach as the United Kingdom although would prefer that the protest be stronger.

8. Memorandum follows.

MIN. & DEPT. EXTERNAL AFFAIRS.
P.M.'S DEPT.

22nd December, 1950.

Cop with w
g
250/10/5/14

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DEPARTMENT OF EXTERNAL AFFAIRS CANBERRA.

Name of Paper: D.M.R. (Karachi) File No: 250/10/5/14.
Published at: Melbourne Page No :
Date: 27/11/50.

/ 27/11/50 - 12.01

DEFENCE OF SUEZ CANAL ZONE. The U.S. is reported to be in favour of the retention of British troops in the Suez Canal area. Quoting informed quarters in London, the United Press of America says Britain and the U.S. agreed that Egypt's desire for the evacuation of troops from the Suez Canal area cannot be met until the international situation has improved (sufficiently) to make the defence of the Canal Zone unnecessary. They regard it as vital to the security of the Middle East, (especially) as the Suez Canal has all essentials of a great modern base. The Egyptian Foreign Minister, who is reported to have sought American support for the withdrawal of British troops, during his visit to the U.S., is said to have offered in return Egypt's association in the Atlantic Treaty, thus (abolishing) the inequality between Britain and Egypt. However, Mr. Acheson is said to have expressed the opinion that the Anglo-Egyptian treaty is no more offensive to Egypt's national sovereignty than the Atlantic Treaty is to Britain, insofar as it provides for American bases on British soil.

DEPARTMENT OF EXTERNAL AFFAIRS CANBERRA.

Name of Paper: D.M.R. (Karachi) File No: 250/10/5/14.
Published at: Melbourne Page No :
Date: ; ; 27/11/50.

The Acting Egyptian Foreign Minister, (Ibrahim Farag Bey), has denied that Egypt has asked the U.S. or any other power to mediate in the Egyptian question. He was commenting on a recent statement in Washington by Azzam Pasha, the Secretary-General of the Arab League, that the U.S. be asked as a mediator to settle the Anglo-Egyptian dispute as to the status of the Sudan and the presence of British troops in the Canal Zone.

The Egyptian Cabinet has approved plans for the setting up of an ammunition plant in Egypt. It has also decided on the creation of a High Economic Council to advise the Government on its development programme.